Ascendis HEALTH

Annual Financial Statements

For the year ended 30 June 2019

Contents

Group secretary's certification

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

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

A Sims CA (SA)
Company Secretary
Johannesburg
30 October 2019

Directors' responsibilities and approval

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

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

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

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

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

The going concern basis has been adopted in preparing the Annual financial statements. The directors have assessed the going concern assumption in depth and believe that the group or any company within the group will be going concerns in the foreseeable future, except for the discontinued operations (Note 29), based on the successful disposal of the Remedica business, forecasts and available cash resources. These Annual financial statements support the viability of the company and the group. Refer to detailed information on the going concern assumption in the Audit committee report, Director's report and accounting policy note.

The group's external auditors, PricewaterhouseCoopers Incorporated, audited the Annual financial statements and their report is presented on pages 3 to 10.

The Annual financial statements, as set out on pages 20 to 161, were prepared under the supervision of the chief financial officer, Kieron Futter (CA) SA and approved by the Board of Directors on 30 October 2019 and were signed on their behalf by:

AB Marshall	B Harie
Chairman	*Lead independent non-executive*
Johannesburg	Johannesburg
30 October 2019	*30 October 2019*

pwc

Independent auditor's report

To the Shareholders of Ascendis Health Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Ascendis Health Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Ascendis Health Limited's consolidated and separate financial statements set out on pages 20 to 162 comprise:

- the group statement of financial position and the company statement of financial position as at 30 June 2019;
- the group statement of profit or loss and other comprehensive income and the company statement of profit or loss and other comprehensive income for the year then ended;
- the group statement of changes in equity and the company statement of changes in equity for the year then ended;
- the group cash flow statement and the company cash flow statement for the year then ended;
- the accounting policies;
- the notes to the group financial statements;
- the notes to the company financial statements, which include a summary of significant accounting policies; and
- Appendix A: Interests in subsidiaries.

Basis for opinion

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

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

Independence

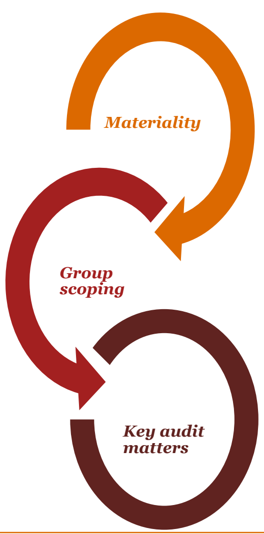
We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Material uncertainty relating to going concern

We draw attention to the Accounting Policy Note on Going Concern in the consolidated financial statements, which indicates that the Group incurred a net loss of R4,660 million during the year ended 30 June 2019 and, as of that date, the Group's current liabilities exceeded its current assets by R380 million. As stated in the Accounting Policy Note on Going Concern, these events or conditions, along with other matters as set forth in the Accounting Policy Note on Going Concern, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



Overall group materiality

- *Overall group materiality: R21,700,000, which represents 2.5% of normalised earnings before interest, taxation, depreciation and amortisation.*

Group audit scope

- *The consolidated financial statements are a consolidation of 116 components. We performed full scope audits on 25 components with 8 components being significant due to their financial significance and audit risk within the Group.*

Key audit matters

- *Goodwill and intangible assets impairment assessment*
- *Discontinued Operations recorded in terms of IFRS 5*

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

Materiality

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

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

Overall group materiality	*R21,700,000*
How we determined it	*2.5% of normalised earnings before interest, taxation, depreciation and amortisation.*
Rationale for the materiality benchmark applied	*We chose normalised EBITDA as the benchmark because, in our view, it is a key performance indicator of the Group in terms of reaching their short and medium term business objectives.* *We adjusted EBITDA for once-off costs, including business acquisition & disposal costs, restructuring costs, profit on disposal of Isando manufacturing plant, impairment of investment, and goodwill and intangible asset impairment as disclosed in note 1 to the consolidated financial statements.*

How we tailored our group audit scope

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

The Group owns a portfolio of brands within five core health care areas, namely Consumer Health, Pharma, Medical, Animal Health and Biosciences, operating across various geographical locations including Africa and Europe. The consolidated financial statements are a consolidation of 116 components. We performed full scope audits on 25 components with 8 components being classified as significant due to their financial significance and audit risk within the Group, and specified procedures in respect of certain transactions and balances at another 5 components. We performed analytical review procedures over the remaining insignificant components.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section above, we communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter	*How our audit addressed the key audit matter*
Goodwill and intangible assets impairment assessment Due to the business acquisitions made by the Group in the prior years, the Group's net assets include a significant amount of goodwill (ZAR 896 million) and intangible assets (ZAR 1,5 billion) as at 30 June 2019. Detail regarding this has been disclosed in Note 10 (*Intangible assets and goodwill*) to the consolidated financial statements. Management have allocated goodwill and intangible assets to cash generating units within the Group. In order to establish whether an impairment should be recognised for a cash generating unit ("CGU"), its recoverable amount (the greater of the fair value less costs of disposal and value in use) was compared to its carrying amount. Management determined the recoverable amounts of the continuing CGUs using the "value in use" model and for the discontinued operations using the "fair value less costs of disposal" where available, in accordance with IAS 36: *Impairment of Assets.* This entailed calculating the discounted cash flows for each of the individual CGUs from continuing operations and evaluating the indicative market offers for the individual CGU's from discontinued operations where available. Significant estimates and judgements were applied by management when performing these calculations to determine whether any impairment is required. The key assumptions applied in the valuation models are as follows: • Sales volume & growth; • Gross margin percentage; • Other operating costs growth;	We assessed impairment on goodwill and intangible assets by performing the following procedures: • We tested the mathematical accuracy of the calculation of the recoverable amounts and noted no material exceptions; • Utilising our valuation experts, we assessed the approach adopted by management in the valuation models, the application of the models as well as the discount rates used. Based on the work performed, we found the approach to be consistent with market practice and the requirements of IAS 36: *Impairment of assets;* and • We assessed management's assumptions used in the calculation of the recoverable amounts by performing the following procedures: • Management's forecasts relating to sales volume & growth, gross margin percentages, other operating cost increases, annual capex and research & development costs, long term growth rates, post-tax- and pre-tax discount rate were agreed to the approved budget as well as cash flow projections over a 5 year period; • Management's budgeting process was understood by obtaining an end to end understanding of the budgeting process, inspecting various slide-decks and iterations of submitted budgets; • The cash flow projections were assessed based on the reasonableness of the assumptions used by management and their ability to support these assumptions. The cash flow projections were found to be reasonable; and

- Annual capex and research & development costs;
- Long term growth rate;
- Post-tax discount rate; and
- Pre-tax discount rate.

A total impairment of intangible assets and goodwill of ZAR 4.316 billion was recorded during the year. This comprised an impairment of goodwill of ZAR 2.5458 billion relating to continuing operations, impairment of intangible assets of ZAR 1.615 billion relating to continuing operations and an impairment of ZAR 243 million relating to discontinued operations. Refer to Note 10, *Intangible assets and goodwill,* of the consolidated financial statements for detail.

The impairment assessment of goodwill and intangible assets was considered to be a matter of most significance to the current year audit due to:

- The significant judgements made by management regarding the assumptions and other forecasts included in the analyses used to perform the impairment assessment.
- The magnitude of both of these balances amount to approximately 21% of the Group's total consolidated assets. The impairment loss amounts to 95% of the total comprehensive loss for the year.

- With the assistance of our valuation experts we independently calculated the discount rates, taking into account independently obtained data.

Based on the procedures performed above, we found the recoverable amount of the CGUs, as calculated by management and based on the assumptions, to be reasonable within our range of acceptable results.

We performed sensitivity analyses on the value-in-use and fair value less costs of disposal calculations for the CGUs that management identified as not being impaired and focused on the pre- and post-tax discount rates respectively, gross margin percentages, other operating expenses growth rates, annual capital expenditure and research & development rates, long-term growth rates and the revenue growth rates for the CGU's. The sensitivity analyses were performed to determine the maximum decline that would result in the recoverable amounts being equal to their carrying amounts. Our results were compared to that of management in terms of identifying those operations considered sensitive or for which the recording of impairment charges were required. No material exceptions were noted.

We recalculated the impairment expense based on the recoverable amounts. No material exceptions were found.

Discontinued operations recorded in terms of IFRS 5

Refer to note 29 (Discontinued operations) of the consolidated financial statements

As at 31 January 2019 and 31 November 2018 respectively management concluded that the Remedica group and the Biosciences group will be reported in accordance with IFRS 5 – '*Non-Current Assets Held for Sale and Discontinued Operations*' (IFRS 5) in the 2019 consolidated financial statements.

The application of IFRS 5 was considered to be a matter of most significance to the current year audit because the transaction and its accounting is non-routine. Management's judgements include amongst others, the date of classification of the non-current assets as held for sale, the identification of the disposal group, and the valuation of the disposal groups at the lower of carrying amount and fair value less costs to sell. In addition the presentation and disclosure of the disposal groups in compliance with IFRS 5

Our audit procedures included, amongst others, an evaluation of management's classification of the disposal group as held for sale and the results of the Biosciences group and the Remedica group as discontinued operations.

We considered management's assessment on the date that both groups were classified as held for sale to ensure that all relevant criteria of IFRS 5 have been met. No exceptions were noted in this regard.

We considered management's judgement applied as to whether these disposal groups meet the definition of discontinued operations in terms of IFRS 5 and found this to be reasonable.

We also considered management's assessment of whether the valuation of the assets of the disposal groups were at the lower of the carrying amount and fair value less cost to sell by agreeing the fair value less costs to sell of the disposal group

- '*Non-Current Assets Held for Sale and Discontinued Operations*' (IFRS 5) required consideration.	to the agreed sales consideration. With the assistance of accounting specialists, we compared the financial statement disclosures against the requirements of IFRS 5 and noted no material exceptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Ascendis Health Limited Annual Financial Statements for the year ended 30 June 2019", which includes the Directors' Report, the Audit Committee Report and the Group Secretary's Certification as required by the Companies Act of South Africa, and in the document titled "Ascendis Health Integrated Annual Report 2019" which we obtained prior to the date of this auditor's report. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Ascendis Health Limited for 6 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: Tanya Rae

Registered Auditor

Waterfall City

30 October 2019

Audit committee report

1. Introduction

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

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

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

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

The 2019 year was a particularly challenging year at Ascendis. While the focus of management was on restructuring and debt management, operations continued under difficult circumstances. A lot of the attention of the committee was spent of these issues and assisting management in "keeping the wheels turning". Various staff changes have also proved disruptive in maintaining systems of internal control and continuing of operations. In this regard a senior resource was brought in to assist with systems of internal control, cash flow management and generally managing the finance function at subsidiary companies.

2. Purpose and activities of the committee

The committee performed the following functions during the year:

- Reviewed the interim and annual results to ascertain that the financial results are valid, accurate and fairly represent the group's performance.
- Had oversight of integrated reporting and confirmed the integrity of the integrated annual report, as well as any other form of public reporting or announcements containing financial information.
- Reviewed the annual financial statements, ensuring they are compliant with accounting standards and legal requirements, and recommended them for approval by the Board.
- Reviewed the Audit committee and the Internal audit charter.
- Confirmed the terms of engagement of the external auditor.
- Monitored the implementation of the policy relating to non-audit services by the external auditor.
- Had oversight of the activities and co-ordination of the internal and external audits.
- Received feedback from management and internal audit on systems of internal control.
- Reviewed and received assurances on the independence and objectivity of the external auditor.
- Ensured that the scope of non-audit services did not compromise the independence of the external auditor. Please also refer to note 7 below in this regard.
- Reviewed the competence of the external and internal auditors.
- Nominated the external auditor for reappointment.
- Considered the effectiveness of internal audit, approved the annual internal audit plan and monitored adherence of internal audit to its plan.
- Approved the audit fees for both internal and external audit.
- Reviewed the performance of the group against loan covenants.
- Confirmed that the adoption of the going-concern premise in the preparation of the financial results is appropriate.

2. Purpose and activities of the committee (continued)

- Reviewed the group's policies and procedures on risk management and legal requirements.
- Monitored the Fraud and Litigation register on an ongoing basis.
- Had oversight of IT development with ongoing feedback on progress to the committee.
- Received feedback on follow up matters arising from the 2018 audit management letter.
- Conducted an annual assessment of the committee and its members.
- Reviewed insurance cover in place and made recommendations for changes.
- Reviewed and updated the levels of authority framework.
- Considered the expertise and experience of the CFO and the finance department.
- Had oversight of the establishment of the group tax committee and approved the group tax strategy.
- Regularly reviewed the risk registers.
- Ensured that the group has established appropriate financial reporting procedures and that those procedures are operating.

3. Composition of the audit committee

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

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

B Harie (chairman)	BA LLB (Natal), LLM (Wits)
Dr KS Pather	BDS (Wits), MBA (UK)
MS Bomela	B Com (Hons), CA (SA), MBA
Dr NY Jekwa	MB Bch (Wits), MBA – Appointed 23 May 2019

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

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

4. External auditor

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

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

Meetings were held with the auditor where management was not present and the auditor was free to raise any matters of concern.

4. External auditor (continued)

The external auditor is invited to and attends all Audit committee meetings. A schedule of findings by the external auditor arising from the statutory audit is tabled and presented at an Audit committee meeting following the audit. The committee endorses action plans for management to mitigate concerns noted. The external auditor has expressed an unqualified opinion on the Annual Financial Statements for the year ended 30 June 2019, albeit with an emphasis of matter.

The committee has reviewed the performance of the external auditor and has assessed the suitability of PwC as auditors based on the documents presented to it in terms of paragraph 3.84 (g)(iii) and section 22.15(h) of the JSE Listings Requirements. Accordingly, the committee nominates for approval at the annual general meeting, PwC, as the external auditor for the 2020 financial year and Tanya Rae as the individual registered auditor.

5. External audit: Key audit matters

The committee notes the following Key audit matters set out in the independent auditor's report, which were also matters of concern for the committee over the year.

Goodwill and intangible assets impairment assessment

Historically as and when the company acquired new businesses, significant levels of goodwill and intangible assets were added to the group's net assets. However, over the years and especially in this financial year, some of these businesses did not perform according to projections. Details on impairments of goodwill and intangible assets are comprehensively covered in Note 10 to the group financial statements.

The committee is acutely aware of the high levels of goodwill and intangible assets carried by the group and is in agreement with the comments raised by the auditors. Management and the auditors have engaged in a rigorous process of interrogating all aspects of the impairment of the assets prior to declaring a total impairment of R4.3 billion on intangible assets and goodwill. Despite the impact of these impairments on the performance of the company, the committee believes that the levels of impairment are both appropriate and necessary.

Discontinued operations recorded in terms of IFRS 5

As part of its strategy, the board identified a few subsidiaries to be held for sale. A complete list of these and explanations, can be found in Note 29 to the group financial statements. The more significant companies identified as being held for sale were the Biosciences group and Remedica. The first tranche of the Biosciences sale was concluded on 31 July 2019 and the second tranche is expected to be concluded by 31 January 2020. The Remedica transaction is at an advanced stage of negotiation. The committee is satisfied that management has treated these discontinued operations as per IFRS 5 requirements and this is supported by the independent external auditors who noted no exceptions in this regard.

6. Restatements and prior period errors

The committee notes that comparative information has been restated due to the restatement of segments and discontinued operations. Further, the committee notes with regret that prior period errors valued at R19.879million in total have also been identified during the current year. These relate to Section 23N limitation of interest; Farmalider statutory audit adjustments; a reclassification of goodwill and intangible assets and a correction of headline headline per share. The committee has been advised that all identified errors relate to legacy challenges from periods prior to the 2018 financial year. Full details on both restatements and prior period errors can be found under Accounting policies.

7. Non-audit services

The committee is satisfied with the independence of the external auditors, based on the size and type of non-audit services rendered. At year end the percentage of non-audit services relative to the financial year audit costs was 95% (2018: 8.8%). This is a significant increase from the previous year and was due to material development work done on the new Ascendis strategy and the implementation of a new target operating model (on the instruction of the previous CEO). The external auditors' selection as service providers for this project followed a robust tendering process, value proposition and independence assessment. The committee was however concerned as to the level of non-audit services conducted and so implemented new levels of authority contained in the existing non-audit services policy to prevent any such future occurrences. The abovementioned non-audit costs are regarded as non-recurring – and as such, the level of expenditure of this category of cost is expected to comply in the future with Ascendis' policy.

The group implemented a new formal policy on non-audit services in terms of which the total fees earned for non-audit services may not exceed 25% of the total annual fees for audit services. Any amount higher than the 25% threshold requires the specific approval of the audit committee. The threshold was increased for non-audit services from 10% to 25% during the current year. The policy requires the external auditor to satisfy the committee that the delivery of non-audit services does not compromise their independence in performing regular audit services, regardless of the fees associated with such services

8. Internal audit

The internal audit function has been outsourced to KPMG. They work according to a pre-agreed plan as reviewed and approved by the committee for the year to visit various companies within the group and subsequently report their findings to the committee. They also conduct review audits that follow up on outstanding matters.

Internal audit conducted a total of 22 audits for the year, across various subsidiary companies. The results were a mixture of ratings classed as "adequate" and weak", with the exceptional "good" rating at some companies. Of note is that one particular company that scored a weak rating also received a lot of the attention of the audit team at year end, so addressing the importance of good internal controls. With a focus on systems of internal control for 2020, we are hopeful that these ratings improve for the coming year.

9. Evaluation of the chief financial officer

The committee has reviewed the expertise, experience and adequacy of the chief financial officer, Kieron Futter (CA) SA, and has satisfied itself with his performance.

10. Application of King IV

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

11. Going concern

Over the year, the committee and Board have been acutely aware of their responsibilities with regards to solvency and liquidity/ not trading recklessly. In this regard management have provided weekly feedback on progress of their management of debt, cash flows and restructuring efforts in order to give such assurance to the Board.

The committee reviewed a documented assessment by management of the going concern premise of the group before recommending to the board that the group is a going concern and will remain so for the foreseeable future. The committee reviews all proposed intercompany funding proposals and distributions to shareholders in terms of sections 44, 45 and 46 of the Companies Act, recommending such funding arrangements to the board for consideration.

12. Annual Financial Statements

The committee assists the board with all financial reporting and reviews the Annual Financial Statements as well as trading statements, preliminary results announcements and interim financial information.

The committee has reviewed the Annual Financial Statements as well as trading statements, preliminary results announcements and interim financial information of the company and the group and is satisfied that they comply with International Financial Reporting Standards.

13. Committee focus in 2020

In addition to the standard agenda items, the committee will also be focusing on the following items for 2020:

- Strengthening of the finance function, both at head office and subsidiary companies, with a greater integration between the two;
- Improvement of the internal control environment;
- Cashflow management;
- Combined assurance implementation with the groupwide integration of finance, risk and compliance functions;
- Supporting the new CEO in his strategy, especially in restructuring the business and financial performance.

14. Conclusion

This was certainly not a year where it was business as usual at Ascendis. The Board, the committee and management have worked with great effort in managing and restructuring the business to ensure its sustainability. This involved constant monitoring by the Board on M&A activities and issues of solvency and liquidity. On a personal note, I thank the acting CEO and the CFO in their tireless efforts over the past few months. The committee is satisfied that it has discharged its duties and responsibilities as required by the Companies Act and that is has functioned in accordance with its terms of reference for the 2019 financial year. The committee further confirms that this report to shareholders has been approved by the board.

B Harie
Chairman of the Audit Committee
Johannesburg
30 October 2019

Directors' report

The directors are pleased to submit their report on the annual financial statements of Ascendis Health Limited and the group for the year ended 2019.

1. Nature of business

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 Heathcare, Medical and Animal Health. The group mainly focuses on supplying pharmaceutical products, animal health and medical devices

2. Review of financial activities

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

The accounting policies have been applied consistently compared to the prior year, except for the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

The group reported net loss after tax from continuing operations for the year ended 2019, of R 4 755 million, a decrease on the prior year's profit after tax of R 59 million (restated). The decrease in the profit is largely contributed by the impairment of intangible assets, goodwill and property, plant and equipment of R4 197 million processed in the current period.

Group revenue from continuing operations increase by 1% from R 5.5 billion (restated) in the prior year to R 5.6 billion for the year.

Full details of the consolidated financial results are set out in these annual financial statements and accompanying notes for the year ended 30 June 2019.

3. Stated capital

Authorised number of shares	2019	2018
Ordinary shares	2 000 000 000	2 000 000 000

Issued number of shares	2019	2018
Ordinary shares	489 469 959	489 469 959

Refer to note 24 for detail on the movement of authorised and issued share capital.

4. Directorate

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

Directors	Office	Designation	Changes
TB Thomsen	Chief executive officer	Executive	Resigned 23 May 2019
MJ Sardi	Chief executive officer	Executive	Appointed 14 October 2019
K Futter	Chief financial officer	Executive	-
AB Marshall	Chairman	Independent non-executive	Appointed 3 May 2019
JA Bester	Chairman	Independent non-executive	Retired 3 May 2019
GJ Shayne	Member	Non-executive	Resigned 31 March 2019
B Harie	Member	Lead independent non-executive	-
MS Bomela	Member	Independent non-executive	-
Dr KS Pather	Member	Independent non-executive	-
Dr NY Jekwa	Member	Independent non-executive	-
J Sebulela	Member	Independent non-executive	Appointed 2 October 2018
PM Roux	Member	Independent non-executive	Appointed 3 May 2019 - Resigned 7 June 2019

In terms of the Group's Memorandum of Incorporation Dr KS Pather and Dr NY Jekwa retire by rotation at the 7th AGM and are eligible for re-election.

5. Directors' interests in shares

As at 30 June 2019, the directors of the Group held direct and indirect beneficial interests in 0.1% (2018: 29.9%) of its issued ordinary shares, as set out in note 24.

The register of interests of directors and others in shares of the company is available to the shareholders on request. The directors' interests as at the date of the directors report is as follows:

2019 Directors	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
K Futter	296 286	-	-	**296 286**
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**
Total	**326 706**	**135 783**	**12 535**	**475 024**

2018 Directors	Direct beneficial shares	Indirect beneficial shares	Indirect non-beneficial shares	Total
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**
JA Bester	16 200	-	-	**16 200**
Dr KS Pather	24 650	20 000	-	**44 650**
B Harie	3 548	95 782	12 535	**111 865**
CD Dillon	1 018 900	20 768 238	1 032 000	**22 819 138**
GJ Shayne	253 647	117 686 681	1 632 756	**119 573 084**
Total	**4 711 713**	**138 822 201**	**2 677 291**	**146 211 205**

Refer to note 35 on the directors' interest in shares as at 30 June 2019 and 30 June 2018.

5. Directors' interests in shares (continued)

There has been no change in the directors' interest between the financial year end (30 June 2019) and the date of approval of these annual financial statements.

6. Going concern

Based on the going concern assessment (refer to the Accounting policies note), which depends on the successful disposal of the Remedica business the Board believes that the group and the company have adequate resources to continue in operation for the foreseeable future and accordingly, the annual financial statements have been prepared on a going concern basis. The board is not aware of any new material changes that may adversely impact the group. The board is not aware of any material non-compliance with statutory or regulatory requirements. The board is not aware of any pending changes in legislation in any of the major countries in which it operates that may affect the group. Refer to the going concern section of the Accounting policies note for detailed disclosure on liquidity management and going concern assumptions.

7. Interests in subsidiaries

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

8. Events after the reporting period

Biosciences tranche 1

The disposal of Biosciences tranche 1 was closed on 31 July 2019. The following businesses were disposed as part of the transaction:

- 100% of the issued share capital of and, if any, sale claims against, Efekto Zambia Ltd
- 100% of the issued share capital of and, if any, the sale claims against, Agro-Serve (Pty) Ltd
- 100% if the issued share capital of, and, if any, the sale claims against Afrikelp Holdings (Pty) Ltd
- The entire business conducted by Efekto Care (Pty) Ltd
- The entire business conducted by Marltons Pets and Products (Pty) Ltd.

The businesses were sold for a consideration of R472.6 million.

9. Divestments

Biosciences

The group adopted a new strategy effective 25 September 2018 which focuses on the core areas of the group. The Biosciences business comprising of Avima/KlubM5, Efekto, Marltons and Afrikelp was considered non-core to the group's strategy and hence were identified for divestment. The business was to be disposed as a single transaction, however the transaction has been split into two tranches. The first tranche of the transaction was completed on 31 July 2019 and the second tranche is expected to be completed by 31 January 2020.

9. Divestments (continued)

Remedica

On 14 January 2019, the group received an unsolicited offer in respect of the Remedica business based in Cyprus. The group decided to dispose of the business. The group has entered into an exclusivity agreement with the preferred bidder. Negotiations are at an advanced stage.

Ascendis Direct

The sale transaction which was concluded on 10 September 2018 with a potential buyer did not materialise. The group is currently in negotiations with another potential buyer.

Ascendis Sports Nutrition

The business was sold on 1 August 2018 for a consideration of R54 million.

10. Auditors

The Audit Committee have recommended that PricewaterhouseCoopers Inc. be reappointed as the designated auditor of the group and company in terms of the resolution to be proposed at the annual general meeting in accordance with the Companies Act.

11. Secretary

The company secretary is A Sims CA (SA).

12. Dividends

The board of directors did not declare any interim or final dividend for the year ended 30 June 2019.

13. Special Resolutions

The following special resolutions were approved at the AGM held on 8 November 2018:

- Special Resolution Number 1 – Approval of non–executive directors' remuneration
- Special Resolution Number 2 – General Authority to repurchase shares in the Company
- Special Resolution Number 3 – Approval of financial assistance in terms of section 44 of the Companies Act
- Special Resolution Number 4 – Approval of financial assistance in terms of section 45 of the Companies Act

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	4	73 345	56 749
Selling and distribution costs	6	(587 564)	(542 093)
Administrative expenses	6	(1 365 085)	(1 189 997)
Net impairment loss on trade receivables	6	(24 677)	14 630
Other operating expenses	6	(547 066)	(356 568)
Impairment of goodwill, intangible assets and property, plant and equipment	6	(4 197 350)	(35 290)
Operating (loss)/profit		**(4 259 168)**	**479 895**
Finance income	7	4 218	15 320
Finance expenses	7	(376 753)	(368 476)
Income from equity accounted investments	32	-	2 687
(Loss)/profit before taxation		**(4 631 703)**	**129 426**
Tax expense	8	(122 989)	(70 168)
(Loss)/profit from continuing operations		**(4 754 692)**	**59 258**
Profit from discontinuing operations	29	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	31	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

Group statement of financial position

at 30 June 2019

	Notes	2019 R'000	Restated 2018 R'000
Property, plant and equipment	9	541 063	1 169 719
Intangible assets and goodwill	10	2 401 039	9 833 747
Investments accounted for using the equity method	32	-	1 621
Derivative financial assets	33	-	114
Other financial assets	11	51 732	55 751
Deferred tax assets	12	124 714	91 700
Non-current assets		**3 118 548**	**11 152 652**
Inventories	13	1 109 213	1 573 927
Trade and other receivables	14	1 180 027	1 871 775
Other financial assets	11	6 439	1 112
Current tax receivable	28	65 482	103 537
Derivative financial assets	33	134	30 848
Cash and cash equivalents	15	292 481	767 924
		2 653 776	4 349 123
Assets held for sale	29	5 558 679	359 625
Current assets		**8 212 455**	**4 708 748**
Total assets		**11 331 003**	**15 861 400**
Stated capital	24	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	19	54 704	4 555 111
Deferred tax liabilities	12	367 995	491 908
Deferred vendor liabilities	20	154 475	876 386
Put-option on equity instrument	21	-	14 309
Contract liabilities	18	5 642	-
Finance lease liabilities	22	18 694	26 976
Employee benefit obligations	23	6 647	4 714
Non-current liabilities		**608 157**	**5 969 404**
Borrowings and other financial liabilities	19	5 452 067	939 272
Deferred vendor liabilities	20	261 832	422 969
Put-option on equity instrument	21	93 622	78 108
Provisions	17	53 163	92 853
Contract liabilities	18	8 423	-
Finance lease liabilities	22	12 747	15 099
Employee benefit obligations	23	-	12 180
Derivative financial liabilities	33	2 743	4 711
Trade and other payables	16	982 554	1 325 019
Current tax payable	28	123 963	83 128
Bank overdraft	15	27 464	81 301
		7 018 578	3 054 640
Liabilities held for sale	29	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**

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

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	25	(8 963)	732 226
Cash generated from operations - discontinued operations	29	592 390	331 974
Interest income received	7	4 218	15 320
Finance costs paid		(343 833)	(353 964)
Income taxes paid	28	(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	11	-	16 445
Loans advanced to related parties		-	(18 446)
Loans advanced to external parties	11	-	(31 661)
Investment in other financial assets		(6 329)	7 844
Net cash from investing activities - discontinued operations	29	(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	24	-	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	22	(16 917)	(7 868)
Dividends paid to minority interests		(2 005)	-
Net cash from financing activities - discontinued operations	29	(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	15	**265 017**	**686 623**

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 group financial statements as at 30 June 2019 comprise of the company and its subsidiaries (together referred to as the group) and the group's interest in equity accounted investments. The group financial statements have been audited in terms of the Companies Act, No 71 of 2008. The audited group financial statements for the year ended 30 June 2019 have been prepared under the supervision of chief financial officer, Kieron Futter (CA) SA.

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

The group adopted all the 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 36 for details of the change in accounting policies.

The annual financial statements have been prepared on the historical cost basis, except for certain financial instruments and land and buildings that have been measured at fair value, where applicable and assets held for sale that are measured at fair value less cost to sell.

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

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 29 for more details.

Restatements (continued)

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 definition of normalised headline earnings was changed in order to provide a more meaningful understanding of the group’s sustainable recurring financial performance. The comparative information has been restated. Please refer to note 2 and note 36 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.

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.

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.

Prior period errors (continued)

Goodwill and intangible assets reclassification

A correction of brands and trade mark 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 10 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**

Restatements and prior period errors (continued)

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.

Going concern (continued)

Impact on liquidity (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.

Going concern (continued)

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

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.

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)

Estimates, assumptions and judgements considered within the group's liquidity assessment (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 its 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 a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern and its ability to realize 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.

Principal Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below and in the related notes to the consolidated financial statements. The principal accounting policies are applied consistently with those adopted in the prior year, except for the adoption of the new standards. Refer to Note 36 for details of the change in accounting policies. Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the consolidated financial statements.

Consolidation of subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date that control ceases (disposal date). The Group controls an entity when it is exposed or has rights to the variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether control exists, the Group considers all existing substantive rights that result in the current ability to direct relevant activities.

All intercompany transactions, balances and unrealised gains and losses on transactions between the group companies are eliminated on consolidation. Accounting policies of subsidiaries have been changed, where necessary, to align any differences in the accounting policies with those of the Group.

The company accounts for the investments in subsidiaries at cost, less any accumulates impairment losses.

Non-controlling shareholders are treated as equity participants, therefore all acquisitions of non-controlling interest or disposals by the Group of its interest in subsidiaries, where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of non-controlling interest purchased or disposed of, is recorded in equity.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and comprehensive income, statement of balance sheet and statement of changes in equity, respectively.

Total comprehensive income is attributed to non-controlling interest even if the results in the non-controlling interests having a deficit balance.

Foreign currency

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

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

Principal Accounting Policies (continued)

Foreign currency (continued)

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

Translations and balances

Foreign currency transactions are translated into functional currency using the exchange rate at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Group companies

The results, cash flows and financial position of group entities that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- Assets and liabilities (including goodwill and fair value adjustments arising on the acquisition), are translated at the closing rate at the reporting date.
- Income and expenses and cash flow items are translated at average exchange rates.
- Foreign currency translation differences are recognised as other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent the difference is allocated to non-controlling interests.

The exchange rates relevant to the Group are disclosed in note 33.

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. (Note 13)
- Estimation of fair values of land and buildings. (Note 9)
- Estimation of the expected credit loss allowance. (Note 33.4)

Accounting judgements

- Going concern assumption. (Refer above in this note)
- Impairment testing and allocation of cash-generating units. (Note 10)
- The useful lives and residual values of property, plant and equipment and intangible assets. (Note 9 and 10)
- Recoverability of deferred tax assets. (Note 12)
- Revenue recognition. (Note 3)

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 (refer to note 37). 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.

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.

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 29 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 is not an operating segment as it 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.

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**	

1. Group Segmental Analysis (continued)

Reconciliation of normalised EBITDA to Consolidated Results	2019 R'000	Restated 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**

Net finance cost split by segment	30 June 2019 Finance income R'000	30 June 2019 Finance expense R'000	Restated 30 June 2018 Finance income R'000	Restated 30 June 2018 Finance expense R'000
Consumer Health	760	(154 964)	1 673	(150 945)
Africa	181	(3 006)	1 566	(1 154)
Scitec	-	(139 726)	106	(139 533)
Sun Wave	579	(12 231)	-	(10 258)
Pharma	63	(37 120)	2 335	(22 913)
Africa	8	(1 122)	1 735	(664)
Remedica	55	(30 742)	269	(14 606)
Farmalider	-	(5 256)	332	(7 643)
Medical	362	(629)	1 841	(522)
Animal Health	356	(1 985)	739	(472)
Biosciences	661	(1 187)	893	(10 407)
Head Office	2 734	(212 797)	9 175	(211 301)
Other	10	(6)	-	-
Less: Discontinued operations	(728)	31 935	(1 335)	28 085
Total finance income/(cost)	**4 218**	**(376 753)**	**15 320**	**(368 476)**

Finance income and finance costs are managed centrally through the group's treasury function housed within Ascendis Financial Services (included in Head office) and Scitec (Consumer Brands Europe). The EXCO evaluates the finance income and expenses based on utilisation of loans payable and receivable with Ascendis Financial Services.

1. Group Segmental Analysis (continued)

Tax expense split by segment	2019 R'000	Restated 2018 R'000
Consumer Health	62 641	20 153
Africa	27 225	15 909
Scitec	10 817	2 736
Sun Wave	24 599	1 508
Pharma	26 490	20 106
Africa	5 675	8 276
Remedica	15 106	7 928
Farmalider	5 709	3 902
Medical	23 355	27 052
Animal Health	29 985	14 648
Biosciences	32 033	8 762
Less: Discontinued operations	(51 515)	(20 553)
Total consolidated tax expense	**122 989**	**70 168**

(b) Statement of financial position measures applied

	2019 R'000		Restated 2018 R'000	
Assets and liabilities split by segment	**Assets**	**Liabilities**	**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)**

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

Earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the profit after tax attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of shares in issue.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after tax dilutive effect. The group has determined no instruments exist in the year that will give rise to the issue of ordinary shares that results in a dilutive effect. Based on this assessment, basic earnings per share also represents diluted earnings per share.

Headline earnings per share

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

Weighted average number of shares

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

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
(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**

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.

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.

3. Revenue

Revenue for the group consists of revenue from rental income and revenue from contracts with customers.

1. Revenue from rental income

Revenue from rental income arises from free use of medical equipment given to customers. Revenue is recognised on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognised as an expense over the terms of the lease on the same basis as the rental income.

The lease (rental income) and non-lease (consumables) components are separated using the expected cost plus a margin approach in order to determine the transaction price for the components.

2. Revenue from Contracts with Customers

The group has applied IFRS 15 using the modified retrospective approach. The comparative information has not been restated and continues to be reported under IAS 18, refer to note 36 for the 2018 accounting policies. The effect of the initial application of IFRS 15 has been explained in note 36.

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

The Consumer Heath, Animal Health, Biosciences and Pharma segments receive consideration for the sale of products on an exclusive or semi-exclusive basis through selected distributors directly to individual customers.

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

2.1 Sale of goods – wholesale

The group manufactures and sells a range of medicines in the wholesale market. This policy applies to both in-country sales and export sales. Revenue is recognised when the control of the products has transferred, being when the products are delivered 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 products. Delivery occurs when the products have been shipped to the wholesaler's specified location, risk of obsolescence and loss have been transferred to the wholesaler or either the wholesaler has accepted the products in accordance with the contract. Delivery for export sale is not a separate performance obligation as it is highly dependent on the sale of the products to the wholesaler hence it is not separately identifiable.

The products are sold with volume discounts, early settlement discount and rebates and revenue is recognised based on the price specified in the contract net of estimated discounts and rebates. The discounts and rebates are measured based on the expected value method using accumulated experience and revenue is recognised only to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognised for the expected discounts and rebates payable to the customers in relation to sales made until the end of the reporting period.

3. Revenue (continued)

2.1 Sale of goods – wholesale (continued)

As per the group's standard contract terms, customers have the right of return within 7 days. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognised for those products expected to be returned. At the same time, the group has the right to recover the product when the customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to the cost of sales recognised in profit or loss. The group uses the accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method.

It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

The transaction price is the relative stand-alone selling price of the products net of any variable consideration which is determined above.

A receivable is recognised by the group when the products are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

2.2 Sale of goods – equipment

The group sells pharmaceutical equipment directly to end customers. Revenue is recognised when the control of the equipment has transferred, being when the equipment is delivered to the customer.

As per the group's standard contract terms, customers have the right of return within 7 days. At the point of sale, a refund liability and a corresponding adjustment to revenue are recognised for equipment expected to be returned. At the same time, the group has the right to recover the product when the customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to the cost of sales recognised in profit or loss. The group uses the accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

The transaction price is the relative stand-alone selling price of equipment net of any variable consideration which is determined above.

2.3 Sale of services – maintenance of equipment

The group provides maintenance services for the equipment that has been purchased by the customer as a separate service. Alternatively, the group offers assurance-type warranty for the maintenance of the purchased equipment. Maintenance is considered to be a distinct service as it is both regularly supplied by the group to customers on a standalone basis and is available for customers from other providers in the market. A portion of the transaction price is allocated to maintenance service based on the standalone selling prices of the components. The group recognises a contract liability for the services that have not been performed at year end. Refer to note 18 for the balance of the warranty liability as at 30 June 2019.

3. Revenue (continued)

2.3 Sale of services – maintenance of equipment (continued)

Revenue relating to maintenance service is recognised over time. Revenue from maintenance is based on the input method and takes into account the time spent and the consumables used. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

2.4 Sale of drug master files

The group sells drug master files directly to customers.

Revenue is recognised when the control of master files has transferred, being when the drug master files are transferred to the customer after the registration has been completed. The transaction price is based on the relative stand-alone selling price of the drug masterfiles.

Revenue is recognised at a point in time.

2.5 Royalty income

The group enters into arrangements with customers who want to sell group products and manufacture them. The group charges royalty income to effect this arrangement. The group receives a percentage of the revenue sold by the customers as royalty income. The transaction price is the calculated percentage of the revenue sold by the customer.

Revenue is recognised over time based on the output method.

Critical judgement in revenue recognition

Management has to apply critical judgement and estimation in the determination of discounts and return assets and liabilities. The items are estimated based on the historical experience and expected value method.

Management applies significant judgement and estimation in the determination of the transaction price. The amount of revenue recognised is based on the transaction price, which is the amount of consideration the group expects to be entitled to for supplying the product or service. Variable consideration is estimated based on the most likely amount to be received (or paid) and to the extent that it does not result in a significant reversal of revenue.

Financing component

The group applies the IFRS 15 practical expedient by not adjusting the consideration for the effects of significant financing component because, at contract inception, the group expects that the period between when the group transfers the promised goods or services to a customer and when the customer pays for for the goods or services is one year or less.

The group did not have any adjustments in relation to financing component during the current year.

The breakdown of revenue from all activities is as follows:

3. Revenue (continued)

Revenue	2019 R'000	Restated[1] 2018 R'000
Rental Income	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 29 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. Other income

Other income is recognised when the risks and rewards of ownership of the assets and services rendered is transferred to the counterparty. This includes any income relating to profit on disposal of property, plant and equipment, intangible assets and businesses as well as any foreign exchange gains, insurance proceeds, bad debt recoveries, tax refunds and services rendered.

	2019 R'000	Restated 2018 R'000
Rental income	150	256
Bad debt recoveries	216	42
Legal settlement	166	152
Marketing and management fees	22	6 051
Profit on the disposal of property, plant and equipment	1 279	2 351
Put-option remeasurement	1 700	32 532
Additional charges to customers	-	8 063
Skin sale of brand to USA	-	3 288
Foreign exchange gains	-	1 555
Profit on the disposal of subsidiaries	17 143	-
Kyron deferred vendor liability remeasurement and discount received	35 911	-
Other income	16 758	2 459
	73 345	**56 749**

5. Employee benefit expense

Salaries and wages, including non-monetary benefits and accumulated leave pay that are expected to be settled wholly within 12 months after the end of the year in which employees render the related service, are recognised as a liability and are measured at the amounts expected to be paid when the liabilities are settled.

The company has adopted one Remuneration policy, with the exception of newly acquired businesses, which are integrated into group at cost to company after the 12-18 month new entrant agreement lapses. The employee benefits form part of the cost to company and is therefore seen as a 100% company contribution. The company contributes to Pension/Provident Funds, Medical Aid, Medical Insurance cover and the company's Employee Assistance Partner.

The group recognises a provision for the bonuses payable in terms of an incentive bonus arrangement where the group is contractually obliged or where past practice has created a constructive obligation to pay bonuses.

The following items are included within employee benefits expense:

	2019 R'000	2018 R'000
Wages and salaries	1 033 201	1 071 723
IFRS 2 *Share-based payment* charge	1 527	-
	1 034 728	**1 071 723**

6. Expenses by nature

	2019 R'000	Restated 2018 R'000
Administration costs	274 376	96 560
Advertising and promotions	215 582	251 620
Cost of goods sold	3 185 270	2 978 371
Depreciation and amortisation	214 540	270 765
Distribution costs	135 318	77 910
Employee benefit expenses	1 034 728	1 071 723
Fair value adjustment losses	6	4 275
Impairment of goodwill, intangible assets and property, plant and equipment	4 197 350	35 290
Net impairment loss on trade receivables	24 677	(14 630)
Occupancy costs	142 076	148 850
Acquisition of businesses cost	4 876	29 655
Disposal of businesses cost	28 161	-
Restructuring and retrenchments	20 632	7 150
Debt/capital restructuring	83 590	-
Foreign exchange loss	10 014	-
Other expenses	88 124	15 218
CFD losses	5 978	11 410
Travelling costs	48 021	16 919
General expenses	59 565	1 178
Loss on disposal of assets	-	5 748
Research and development	14 355	13 293
Selling costs	119 773	66 384
	9 907 012	**5 087 689**

	2019 R'000	Restated 2018 R'000
Cost of sales	3 185 270	2 978 371
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
	9 907 012	**5 087 689**

This note excludes expenses relating to discontinued operations.

7. Finance income and costs

Finance costs

Finance costs comprise interest expense on interest bearing financial instruments, finance leases, debt facilities, unwinding of deferred vendor liabilities and realised losses on interest rate swaps. All borrowing costs are recognised in profit or loss using the effective interest method, unless the borrowing costs are directly attributable to the acquisition, construction and production of qualifying assets, in which case the directly attributable borrowing costs are capitalised.

Finance income

Finance income comprises of interest income on interest bearing financial instruments, bank balances, finance leases and other financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

	2019 R'000	Restated[(1)] 2018 R'000
Finance cost		
Finance leases	1 136	1 433
Interest on term debt facilities	342 112	299 109
Interest rate swap expense	3 395	10 245
Interest on deferred vendor liabilities	20 327	42 002
Other finance costs	9 783	15 687
Finance costs	**376 753**	**368 476**
Finance income		
Bank interest	3 100	10 226
Interest received on leases	-	20
Other finance income	1 118	5 074
Finance income	**4 218**	**15 320**
Net finance costs	**372 535**	**353 156**

[(1)] The comparatives have been restated due to the discontinued operations. Refer to note 29 for more details.

8. Income tax expense

Income tax expense comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity.

Current tax is the expected tax payable on taxable income for the year using the tax rates enacted or substantively enacted at the end of the financial year in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions were appropriate on the basis of amounts expected to be paid to tax authorities. The evaluation requires significant judgements and estimation as the ultimate tax position is uncertain during the ordinary course of business.

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**
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 29 for more details.

8. Income tax expense (continued)

	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**

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%
Non-trading entities expenditure	(3.31%)	0.00%
Other disallowable charges	(1.40%)	6.14%
Other exempt income	0.58%	(0.04%)
Unrealised gains on revaluation of foreign loans	0.00%	(30.56%)
Other exempt income - Revaluation of buildings	0.00%	(13.32%)
Acquisition of loss making entities - Section 23N and 24O	0.00%	6.07%
Average effective tax rate	**(2.66%)**	**54.21%**

[1] The comparatives have been restated due to the discontinued operations and correction of prior period errors.

Reduction in effective tax rate
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.

9. Property, plant and equipment

Land and buildings are shown at fair value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the assets.

All other property, plant and equipment is measured at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Property, plant and equipment acquired through business combinations are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated depreciation and impairment.

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

Property, plant and equipment under construction (capital work in progress) are measured at initial cost and depreciation commences from the date the assets are transferred to an appropriate category of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

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

Depreciation is calculated on a straight-line basis to write off the cost of the assets to their residual values over the estimated useful lives. Useful lives and residual values are reviewed annually and the effect of any changes in estimate is accounted for on a prospective basis. Leased assets have been assessed and are depreciated over the shorter of the lease term and their useful lives.

Residual values, useful lives and depreciation method of each asset are reviewed at the end of each reporting year. Items of property, plant and equipment are assessed for impairment when an impairment indicator exists.

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

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

Assessment of the useful lives is based on the management's estimates taking into account historical experience with similar assets, expected usage of the asset, physical wear and tear, technical and commercial obsolescence and legal restrictions on the use of the assets. Land is not depreciated.

9. Property, plant and equipment (continued)

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

Asset Category	2019 Years	2018 Years
Buildings	**25 – 50**	25 – 50
Plant and machinery – owned	**5 – 15**	5 – 15
Office furniture	**5 – 7**	5 – 7
Motor vehicles – owned	**3 – 6**	3 – 6
Computers	**3 – 7**	3 – 7
Leased assets	**2 – 10**	2 – 10
Leasehold improvements	**10**	10

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within other income in the statement of profit or loss. When revalued assets are sold, any amounts included in other reserves in respect of those assets are transferred to retained earnings.

9. Property, plant and equipment (continued)

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 10 for detailed impairment disclosure.

9. 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.

9. Property, plant and equipment (continued)

Fair value of land and buildings

An independent valuation of the group's land and buildings was performed in the current year to determine the fair value of land and buildings. Valuations are performed with sufficient regularity at least every 3 years to ensure that the fair value of revalued assets does not differ materially from its carrying amount of the assets, and net amount is restated to the revalued amounts of the assets.

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

The following table analyses the land and buildings that are carried at fair value. The 2018 number have been represented in order to correct the disclosed values to include only the fair value amounts.

	Consumer Health Africa		Scitec [1]		Pharma Africa		Remedica		Biosciences	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Opening balance	54 068	58 524	87 365	90 905	(782)	82 310	347 511	303 827	30 269	30 452
Additions	-	-	11 227	395	-	-	21 300	5 728	182	138
Transferred to assets held for sale	-	(4 300)	-	-	782	(82 700)	(378 603)	-	(30 038)	-
Transfers between asset categories	-	19	-	-	-	-	-	299	-	-
Disposals and scrapping	(10)	-	-	-	-	-	-	-	-	-
Disposal of business	-	-	-	-	-	-	-	-	(572)	-
Revaluation gain/(loss)	5 941	-	-	(4 611)	-	-	-	-	159	-
Depreciation for the year	(178)	(175)	(5 857)	(5 224)	-	(392)	-	(8 419)	-	(321)
Foreign exchange differences	-	-	(468)	5 900	-	-	9 792	46 076	-	-
Closing balance	**59 821**	**54 068**	**92 267**	**87 365**	**-**	**(782)**	**-**	**347 511**	**-**	**30 269**

[1] The buildings of Scitec has been encumbered with the Cyprus loan facility. (Refer to note 19)

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

9. Property, plant and equipment (continued)

2019 Property	Rent/m²	Growth rate	Capitalisation rate	Carrying amount
Biosciences - Erf 649	R44	6%	10.50%	14 199
Biosciences - Erf 1719 & 1839	R33	6%	11%	370
Consumer Health Africa - Erf 1114 & 1115	R3 787 - R4 712	6%	10% - 11%	36 365
Scitec	R1 250 - R2 030	2%	8.50%	38 780
Remedica	R287 - R6 016	4%	7.00%	295 538

2018 Property	Rent/m²	Vacancy rate	Capitalisation rate	Carrying amount
Biosciences - Erf 649	R33.12	3%	10.50%	22 978
Biosciences - Erf 1719 & 1839	R19.24	2%	10%	2 515
Consumer Health Africa - Erf 514	R117.95	3%	10%	2 911
Consumer Health Africa - Erf 1114 & 1115	R3 479 - R3 535	3%	10% - 11%	39 247
Pharma - Erf 426	R34.67	5%	11%	27 174
Scitec	R1 250 - R2 030	2%	8.50%	37 522
Remedica	R287 - R6 016	4%	7.00%	280 417

The following properties were due for valuation in the current year: Erf 649, Erf 1719 & 1839 and Erf 1114 & 1115. A valuation of these properties was performed on 30 June 2019 by an independent valuator, W.J. Hewitt, a professional associated valuator (Registration Number 12) and appraiser appointed in terms of provision of section 6(1) of the Estate Act (Act 66 of 1965). The valuation was performed using the income approach, using a capitalisation rate between 10% - 11%.

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

9. Property, plant and equipment (continued)

The following movements in the capitalisation rate, growth rate and rental per square metre will yield the following movements in the fair value of land and buildings in the current year:

	Consumer Health Africa Erf 1114 & Erf 1115		Biosciences Erf 649		Biosciences Erven 1719 & 1839	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Market capitalisation rate - 50 basis points	(596)	596	(277)	277	(20)	20
Gross market rental (rate/m^2) - 5%	(2 980)	2 980	(1 385)	1 385	(101)	101
Growth rate - 20 basis points	(119)	119	(55)	55	(4)	4

10. Intangible assets and goodwill

(a) Goodwill

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

Goodwill is measured at cost less accumulated impairment losses and is not amortised but tested for impairment annually or more frequent if events and changes in circumstances indicate a potential impairment. Impairment losses are recognised immediately as an expense in the statement of profit or loss.

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

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

Determining whether goodwill is impaired requires an estimation of the value in use of each CGU to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

(b) Research and development

Research and development expenditure that do not meet the requirements in terms of IAS 38 Intangible Assets is expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

10. Intangible assets and goodwill (continued)

(b) Research and development (continued)

Development costs directly attributable to the production of new or substantially improved products, processes or computer software controlled by the group are recognised when the following criteria are met:

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

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

Directly attributable costs that are capitalised as part of the intangible asset include the employee costs and an appropriate portion of the relevant overheads. Capitalised development costs are recorded as an intangible assets and amortised from the point at which the asset is ready for use.

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

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

(c) Intangible assets with indefinite useful life

Indefinite useful life intangible assets are tested for impairment annually and more frequent if the events or changes in circumstances indicate a potential impairment. Some of the group’s Brands and trademarks have indefinite useful lives.

Intangible assets with definite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets initially acquired through business combination are initially shown at fair value and are subsequently carried at the initially determined fair value less accumulated amortisation and impairment.

Intangible assets with definite useful lives are amortised using the straight line method. The useful lives are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis. The residual values of intangible assets are assumed to be zero.

10. Intangible assets and goodwill (continued)

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

The useful lives for the various categories of intangible asset is as follows:

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

Impairment

An impairment loss is recognised in profit or loss if the carrying amount of an asset or a CGU exceeds its estimated recoverable amount. For the purpose of impairment testing, assets are grouped together into CGUs. The recoverable amount of an asset or CGU is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in respect of CGUs are allocated first to goodwill to reduce the carrying amount of any goodwill allocated to the units and then reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Any impairment loss is subsequently reversed only to the extent that the asset or CGUs carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised. A reversal of impairment loss is recognised immediately in profit or loss.

10. Intangible assets and goodwill (continued)

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**

10. 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, please refer to note 6.

10. 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 new 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

10. 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.

The table below illustrates the total impairment for property, plant and equipment, intangible assets and goodwill per each CGU:

10. Intangible assets and goodwill (continued)

2019 CGU	Reporting Segment	Carrying value R'000	Recoverable amount R'000	Impairment amount [1] 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	275 328	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

[1] This includes the impairment for property, plant and equipment, intangible assets and goodwill.

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

Significant estimate: key assumptions used for value-in-use calculations

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2019, the recoverable amount of the cash-generating units (CGUs) (2018: segments) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Assumptions have been applied for the analysis of each CGU within the operating segment. The CGUs are individually operating subsidiaries and grouped per operating segment. Goodwill was allocated to each individual operating subsidiary (CGU) and grouped. All assets and liabilities for each CGU have been taken into account in considering impairment. Ascendis has a robust budgeting process and the revenue growth rates have been assessed on a prudent basis with a key focus on cash generation. In determining the appropriate discount rate in the value in use calculation, management applies judgement to determine the specific risk factors which impact the operating segment. Examples of risk factors includes competition, exposure to foreign exchange, commodity risk as well as legislation and regulatory pressures. The specific risk percentage per operating segment is then adjusted downward for mitigating factors such as secured clients, management experience and innovative products.

10. Intangible assets and goodwill (continued)

The following tables details the main assumptions underlying forecasts from 2020 to 2024:

2019	Sales Volume & growth %	Gross Margin %	Other Operating costs growth	Annual Capex & research and development (% of Sales)	Long Term Growth rate %	Pre-tax Discount rate %	Post-tax Discount rate %
Surgical Innovations	7.6%	53.3%	3.5%	1.3%	5.0%	16.3%	-
Respiratory Care Africa	6.4%	42.6%	2.6%	0.7%	5.0%	15.6%	-
The Scientific Group	15.8%	41.1%	1.5%	2.7%	5.0%	15.6%	-
Ascendis Vet	6.4%	61.9%	1.4%	3.6%	5.0%	15.6%	-
Animal Health	5.1%	41.6%	2.5%	2.2%	5.0%	15.6%	-
Kyron	6.1%	59.1%	1.9%	1.1%	5.0%	16.5%	-
Pharmachem & Dezzo	4.9%	17.0%	5.4%	0.1%	5.0%	16.0%	-
Chempure	5.6%	22.9%	4.1%	0.5%	5.0%	15.6%	-
Skin	6.2%	73.0%	1.8%	1.9%	5.0%	15.6%	-
Ascendis Consumer Brands	6.1%	55.3%	5.1%	1.7%	5.0%	15.6%	-
Ascendis Pharma	3.1%	47.5%	0.2%	0.2%	4.0%	15.6%	-
Sunwave	7.6%	72.0%	5.4%	1.1%	5.0%	13.9%	-
Farmalider	6.8%	34.0%	4.7%	7.7%	5.0%	12.7%	-
Scitec	3.6%	32.0%	0.9%	2.1%	3.0%	10.2%	-
Avima	7.7%	33.0%	4.4%	0.5%	5.0%	-	15.3%
Klub M5	-2.8%	28.9%	-10.6%	0.2%	5.0%	-	15.3%
Efekto	-	-	-	-	5.0%	-	15.3%
Marltons	-	-	-	-	5.0%	-	15.3%
Afrikelp	-	-	-	-	5.0%	-	15.3%
Ascendis Sports Nutrition	-	-	-	-	5.0%	-	15.3%
Direct selling	-	-	-	-	5.0%	-	15.3%
Remedica	5.6%	41.0%	-4.0%	7.8%	5.0%	-	10.1%
Ascendis Health Australia	-	-	-	-	-	-	15.3%

2018	Sales Growth rate %	Discount rate %
Consumer Health		
Africa	5.0% - 14.0%	10.9% - 12.7%
Scitec	3.1%	7.4%
Sunwave	2.5%	8.8%
Pharma		
Africa	6.0% - 10.0%	12.9%
Remedica	2.5%	10.3%
Farmalider	2.0% - 3.0%	8.8%
Medical	5.1% - 5.3%	12.6% - 13.2%
Animal Health	5.1% - 5.3%	11.4% - 12.5%

10. Intangible assets and goodwill (continued)

Assumptions

1. Sales Growth - This is the expected average annual growth rate used in the determination of the five year sales forecast. It is CGU specific and based on current industry trends, including inflation forecasts for the different geographies in which business is conducted.

2. Gross margins - These are based on past performance and managements' conservative expectations for the future.

3. Other Operating Costs Growth - These costs are, those that do not vary significantly with sales volumes or prices and are based on current structures and ignore future unplanned restructurings or cost-saving measures. Their growth rate is based on current industry trends, including inflation forecasts for the different geographies in which business is conducted. These rates have been used in the determination of the five year operating plan.

4. Annual CAPEX and research and development expenditure - These are based on a short/medium term expenditure plan and the cashflows are included in the CGUs forecasts. In accordance with the value-in-use model, it is assumed these expenditures will not generate additional revenue, or result in additional costs.

5. Long-term growth rate - This is the expected growth rate used to determine cash flows beyond the budget period, which is used to and reflect the weighted annual growth rate. These rates are CGU specific and are consistent with recent forecasts included in industry reports.

6. Discount rates - These are CGU specific and reflect the specific risks relating to the relevant segments and the geographies in which they operate. Pre-tax discount rates have been used for continuing operations in determining the value-in-use. Post-tax discount rate have been used for discontinued operations in determining the fair value less costs to sell.

The following table illustrates the change in the key assumptions for the carrying amount of the CGU to be equal to the recoverable amount:

10. Intangible assets and goodwill (continued)

Sensitivity analysis 2019	Sales volume & growth	Gross margin %	Other operating costs growth	Annual Capex & research and development (% of Sales)	Long-term growth rate %	Pre-tax discount rate %
Respiratory Care Africa	5.35%	5.90%	(4.51%)	(4.00%)	23.80%	(10.72%)
The Scientific Group	2.76%	3.10%	(2.13%)	(2.08%)	4.50%	(3.02%)
Ascendis Consumer Brands	0.09%	0.35%	(0.18%)	(0.11%)	0.35%	(0.25%)
Sunwave	5.27%	10.85%	(9.57%)	(9.11%)	18.00%	(9.03%)
Avima	0.60%	0.93%	(0.96%)	(0.41%)	2.25%	(1.52%)

Sensitivity analysis 2018	Sales Growth rate %	Discount rate %
Consumer Health		
Africa	7.2%	6.7%
Scitec	5.9%	4.9%
Sunwave	6.5%	7.3%
Pharma		
Africa	7.2%	8.2%
Remedica	3.0%	7.0%
Farmalider	3.1%	5.5%
Medical	8.0%	8.2%
Animal Health	6.7%	7.2%

11. Other financial assets

Other financial assets are initially measured at fair value and subsequently at amortised cost. Other financial assets are held within the business model with the objective to collect contractual cash flows and the cash flows are solely payments of principal and interest on the principal outstanding. Other financial assets are not reclassified unless the group changes its business model.

	2019 R'000	2018 R'000
Other financial assets measured at amortised cost		
Previous owners of Chempure t/a Solal	9 021	9 521
Directors of Ascendis	3 882	3 618
Loans to key management	4 579	4 212
Initial Stock Value - Scitec	16 128	14 926
Other financial assets	11 541	6 140
Loans to external parties	18 040	18 446
Less: specific provision	(5 020)	-
	58 171	**56 863**
Current other financial assets	6 439	1 112
Non-current other financial assets	51 732	55 751
Other financial assets	**58 171**	**56 863**

Other financial assets consist of the following receivables:

Previous owners of Chempure t/a Solal: Relates to amounts paid on behalf of the previous owners, Solal Trust and SA Academy, including PAYE on retrenchments and restraint of trade. This amount is currently due and payable and bears no interest.

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

Loans to directors of Ascendis: An amount of R3.8 million is receivable from a director of Ascendis Management Services (Pty) Ltd. The original loan issued to Kieron Futter in December 2015 amounted to R3 million. The loan bears interest at 7.5% compounded annually and is repayable between four and ten years. The loan was made in compliance with the requirements of section 45 of the Companies Act. Refer to the Related parties section (Note 35) for disclosure on related parties. The fair value of the director's loan approximates the carrying value.

Loans to key management: An amount of R4.6 million is receivable from key management of Ascendis Management Services (Pty) Ltd. The loans bear interest at 9% compounded annually and are repayable in July 2020. All loans were made in compliance with the requirements of section 45 of the Companies Act. Refer to the Related parties note (Note 35) for disclosure on related parties.

Loans to External Parties: Consist of loans to previous Ascendis Directors (R13 million) and Key management staff (R5 million) who have since left the group. The loans bear interest at 7.5% and 9% compounded annually respectively and are repayable in July 2020.

Other financial assets: Consists of receivable balances due from various non-related counterparties to the group.

11. Other financial assets (continued)

Estimated credit loss (ECL): No provision for credit loss is recognised in the current year as the probability of default in relation to these balances is low. A specific provision of R5 million has been recognised in relation to loan receivable from the previous owners of Chempure t/a Solal.

12. Deferred Tax

Deferred tax is recognised in accordance with the accounting policy disclosed in Note 8.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (where applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. Management is required to make significant estimates in assessing whether future taxable profits will be available.

Deferred tax is reviewed at each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their accounting carrying amounts in the consolidated financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from an asset or liability in a transaction (other than a business combination) and that at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

Deferred tax is measured at tax rates that have been enacted or substantively enacted at the end of the financial year and are expected to be applicable to temporary differences when they reverse.

The group is subject to income taxes in numerous jurisdictions. As a result, significant judgement is required in determining the group's provision for income taxes. There are numerous calculations and transactions for which the ultimate tax position is uncertain during the ordinary course of business.

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

12. Deferred tax (continued)

	2019 R'000	Restated 2018 R'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	11 987	44 247
– Deferred tax assets to be recovered within 12 months	112 727	47 453
	124 714	**91 700**
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(319 426)	(487 513)
– Deferred tax liabilities to be recovered within 12 months	(48 569)	(4 395)
	(367 995)	**(491 908)**
Deferred tax liabilities (Net)	**(243 281)**	**(400 208)**
The gross movement on deferred tax is as follows:		
Gross movement in the deferred income tax assets account:		
Opening balance at begnning of the year	91 700	40 109
Income statement charge	21 749	49 279
Charge through equity	2 018	-
Transferred to discontinued operations	9 247	2 312
Closing balance at end of year	**124 714**	**91 700**
Gross movement in the deferred income tax liabilities account:		
Opening balance at beginning of year	(491 908)	(467 819)
Acquisition of business	-	(42 259)
Current year charge	(37 300)	18 170
Charge through equity	2 119	-
Transferred to discontinued operations	159 094	-
Closing balance at end of year	**(367 995)**	**(491 908)**
At 1 July	(400 208)	(427 363)
Acquisition of subsidiary	-	(42 259)
Charged to the income statement	(15 551)	49 565
Charged through equity	4 137	23 091
Foreign exchange difference	(3 192)	(3 242)
At 30 June	**(243 281)**	**(400 208)**
The deferred tax balance is attributable to the following items:		
Capital allowances	(24 001)	(68 082)
Intangible assets	(266 373)	(421 621)
Provisions	35 575	39 903
Taxation losses	1 164	31 682
Income received in advance	(7 729)	(9 400)
Other	9 622	23 033
Prior period adjustments	(113)	615
Prepayments	8 996	3 640
Operating lease liability	(422)	22
	(243 281)	**(400 208)**

13. Inventories

Inventories comprise of raw materials, finished goods, drug master files held for sale, work in progress and goods in transit.

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

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

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

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

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

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

Management's judgement and assumptions on stock obsolescence provision:

Provision in respect of Raw materials and Packaging stock - All materials, that have passed their expiry date and where there is no intention to extend that date; or that is not included in the coming year's production plan; or which is in excess of the 12 - 18 month needs of the planned production process. Calculations are determined on actual product line level.

Provision in respect of Finished Goods - All stock, which is part of a discontinued SKUs or product line; or for which no sale has been made for a period of time. This period is between 12 and 24 months and is determined by the nature of the product and the estimated time over which future sales can be reasonably predicted. Calculations are determined on actual product line level.

Provision in respect of defined life Finished Goods - All stock, which is within a certain period of its expiry date. This period differs by product line, customer requirements and monthly demand but is between 1 and 12 months of its expiry date. Calculations are determined on actual product line level.

The group does not have inventory that has been pledged as security.

13. Inventories (continued)

	2019 R'000	Restated[1] 2018 R'000
Raw materials, components	127 961	347 280
Finished goods	925 620	1 009 494
Work in progress	113 521	202 258
Goods in transit	32 042	37 700
	1 199 144	**1 596 732**
Provision for obsolete stock	(89 931)	(22 805)
Total	**1 109 213**	**1 573 927**

[1] Demo equipment has incorrectly been classified as inventory in 2018 and has been reclassified to property, plant and equipment, refer to the restatement section of the accounting policies note for further details.

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

14. Trade and other receivables

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

The group's customers mostly consist of businesses and not individual parties. The group's customers are not independently rated. An assessment is performed by the individual group companies to determine the customer's credit quality. This assessment includes considering the customers' financial position and past experience in terms of defaults and payment history. Standard payment and delivery terms and conditions are offered to customers, once the entity has determined the credit risk associated with the customer is acceptable. 2019 amounts have been disclosed based on the requirements of IFRS 9 and 2018 amounts have been disclosed based on the requirements of IAS 39.

Trade and other receivables are initially measured at the transaction price and subsequently measured at amortised cost.

	2019 R'000	2018 R'000
Trade receivables	**1 010 133**	1 742 308
Less: provision for impairment of trade receivables	(52 089)	(41 191)
Less: provision for credit notes	(4 782)	(23 083)
Trade receivables - net	**953 262**	**1 678 034**
Prepayments	28 290	29 466
Deposits	11 863	10 675
VAT	76 807	131 792
Accrued income	24 238	7 106
Right of return asset	4 518	-
Refund receivable	26 629	-
Isando factory sale - remaining balance outstanding	28 370	-
Other receivables	26 050	14 703
	1 180 027	**1 871 775**

14. Trade and other receivables (continued)

	2019 R'000	2018 R'000
Group A	477 332	226 674
Group B	382 754	1 313 056
Group C	145 605	191 032
Group D	4 442	11 545
	1 010 133	**1 742 308**

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

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

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

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

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

The customer credit risk is mitigated by the fact that there is no specific concentration risk in terms of a specific individual customer. Overall, the credit risk portfolio at 30 June 2019 has changed significantly from the 2018 financial period. Previously the credit risk portfolio of the group was heavily weighted to South African counterparties including government, state-owned enterprises and top tier South African banks. Due to the international acquisitions in the prior years and refinancing the group's credit risk portfolio is spread across different African and European counterparties with better credit ratings of which a large portion relates to government institutions and top tier banks.

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

The Group considers a receivable amount to be past due once the debtor has exceeded their standard credit terms (30 to 90 days). The Group assesses the recoverability of the individual debt and classifies the amount either as impaired or not impaired. Refer to the credit risk section for further details on the credit risk management policies (Note 33).

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

	2019 R'000	2018 R'000
Up to three months	834 405	1 464 870
Three to six months	82 963	161 304
Over six months	92 765	116 134
	1 010 133	**1 742 308**

No provision for credit loss allowance is recognised in the current year for other receivables as the credit risk is assessed as low.

Transferred receivables:

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, receivables of Rnil (2018: R37 million) have been transferred to the factorer in exchange for cash and is prevented from selling or pledging the receivables. However, the group has retained credit risk and therefore continues to recognise the transferred assets in their entirety in the statement of financial position. The amount repayable under the factoring agreement is presented as part of trade and other payables.

15. Cash and cash equivalents

Cash and cash equivalents are accounted for at amortised cost and bank overdrafts are accounted for as financial liabilities.

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

Bank overdrafts are included within current liabilities on the statement of financial position, unless, the group has a current legally enforceable right to net off the amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously, in which case it is netted off against cash and cash equivalents on the statement of financial position.

Cash and cash equivalents consist of the following:

	2019 R'000	2018 R'000
Rand denominated bank balances	177 753	383 647
Foreign denominated bank balances	76 223	276 906
Cash on hand	715	1 022
Short-term deposits	37 790	106 349
Cash and cash equivalents	**292 481**	**767 924**
Bank overdraft	(27 464)	(81 301)
Net cash and cash equivalents per statement of cash flows	**265 017**	**686 623**

During July 2018, Ascendis Health issued a long-term share incentive retention scheme (LTI) (Refer to note 23 for more details). Ascendis entered into a transaction with a bank that holds Ascendis shares equal to the phantom shares issued to employees on the LTI scheme. Any shortfall between the current Ascendis share price and the grant date share price should be paid to the bank and is held as collateral against the shortfall. This is restricted cash held by the bank on behalf of Ascendis. It will remain as collateral until the Ascendis share price has moved above the original grant date share price. As at 30 June 2019, an amount of R54.4 million is held by the bank as collateral.

16. Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

	2019 R'000	Restated 2018 R'000
Trade payables	598 643	879 995
Other payables	110 050	117 195
VAT	11 313	20 805
Accrued expenses	135 690	187 001
Accrued payroll expenses	100 583	112 447
Refund liabilities	7 326	-
Dividends payable	18 949	7 576
Trade and other payables	**982 554**	**1 325 019**

17. Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expected outflow of resources required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase of the provision due to the passage of time is recognised as a finance cost.

2019 R'000	Opening balance	Transfer to Contract liability	Additions	Unused provision reversed	Utilised	Foreign currency translation	Transfer to assets held for sale	Closing balance
Other provisions	49 843	-	10 375	(25 417)	(30 469)	414	(1 222)	**3 524**
Warranty provision	12 878	(12 878)	-	-	-	-	-	**-**
Leave pay provision	30 133	-	30 031	(678)	(8 920)	(273)	(13 787)	**36 506**
Provision for legal	-	-	3 559	-	-	41	-	**3 600**
Restructuring provision	-	-	10 930	-	(1 408)	11	-	**9 533**
	92 854	**(12 878)**	**54 895**	**(26 095)**	**(40 797)**	**193**	**(15 009)**	**53 162**

17. Provisions (continued)

2018 R'000	Opening balance	Acquisition of a business	Additions	Unused provision reversed	Utilised	Foreign currency translation	Transfer to assets held for sale	Closing balance
Other provisions	9 256	1 317	77 594	(28 437)	(6 738)	455	(3 605)	**49 842**
Warranty provision	4 820	-	9 620	-	(1 562)	-	-	**12 878**
Leave pay provision	12 519	275	45 934	(26 271)	-	280	(2 604)	**30 133**
	26 595	**1 592**	**133 148**	**(54 708)**	**(8 300)**	**735**	**(6 209)**	**92 853**

The following table represents the split between current and non-current provisions:

	2019 R'000	2018 R'000
Non-current	-	-
Current liabilities	53 162	92 853
	53 162	**92 853**

Other provisions

Other provision relates to various matters within the group. These matters may not necessarily be resolved in a manner that is favorable to the group. The group has recognised provisions in respect of these matters based on estimates and the probability of outflow of economic benefits.

Leave pay

Leave pay provision is recognised for all amount related to leave not taken by employee during the financial period. The provision is measured based on the amount that would be payable to all employees who have outstanding leave as at reporting date.

Provision for legal action

The provision for legal action is recognised when the group has a legal obligation and the group is required to settle the obligation. The group has recognised the provision for legal action in relation to the various legal claims against the group and the group is expecting to settle the obligation.

Restructuring provision

Restructuring provision is recognised when the group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessary entailed by the restructuring and not associated with the ongoing activities of the group. The group has a restructuring provision arising as a result of the change on the group’s strategy.

Warranty provision

The warranty provision is an insurance-type liability which is recognised at the date of sale of the relevant goods and services and warranty contracts. Through the adoption of IFRS 15 in the current financial year, contract liabilities consisting of warranty and maintenance obligations are disclosed separately as they relate to revenue to be recognised over a point in time and not at a point in time.

18. Contract liability

Warranty and rebates contract liability

Warranty and rebates contract liability is an insurance-type liability which is recognised at the date of sale of the relevant goods and services. The non-current contract liability is as a result of warranties and rebates for maintenance service plans over five year duration.

Through the adoption of IFRS 15 in the current financial year, contract liabilities consisting of warranty and maintenance obligations are disclosed separately as they relate to revenue to be recognized over a point in time and not at a point in time.

Rebates provisions are recognised as a result of a contract with customers for marketing and sale of over-the-counter medicine.

Settlement discount provision

The group offers its customers, early settlement discount. Settlement discount represents an obligation to the customer to pay the portion of the consideration if the customer settles the outstanding amount within the agreed timeline. This creates a contract liability to the group for all expected customer early settlements.

2019 R'000	Transfers	IFRS 15 adjustment	Additions	Unused provision reversed	Utilised	Transfer to assets held for sale	Closing balance
Warranty and rebates	12 878	(2 322)	20 494	-	(20 469)	(598)	**9 983**
Settlement discount provision	18 656	-	82 696	(9 007)	(78 399)	(9 864)	**4 082**
	31 534	**(2 322)**	**103 190**	**(9 007)**	**(98 868)**	**(10 462)**	**14 065**

The following table represents the split between current and non-current	2019 R'000	2018 R'000
Non-current	5 642	-
Current liabilities	8 423	-
	14 065	**-**

19. 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.

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.

19. Borrowings and other financial liabilities (continued)

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.

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).

19. Borrowings and other financial liabilities (continued)

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**

20. 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**

20. Deferred vendor liabilities (continued)

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

- R100 million deferred consideration which was paid in August 2018 with a discount of R1 million;
- R7.3 million contingent consideration, is payable after 1 year if the performance target for a specific division for the period is achieved. The performance target was not met hence the amount was not paid.
- R110.6 million deferred consideration, is payable after 18 months. The fair value of the remaining consideration was determined to be R98.8 million as at 30 June 2019, fair value gain of R9.8 million was recognised in the statement of profit or loss.
- R22.0 million contingent consideration, payable after 2 years if the performance target for a specific division for the period is achieved. The fair value of the contingent consideration was determined to be R0.6 million as at 30 June 2019, fair value gain of R17.8 million was recognised in the statement of profit or loss.

The group acquired the **Sun Wave Pharma Group** in June 2017. The total contingent consideration is based on the performance of the acquired business.

- €5 million in July 2018 since the EBITDA exceeded €6.5 million, the amount was paid in July 2018.
- €8 million in August 2019 if EBITDA equals or exceeds €7 million for the period; this payment has not been made in August 2019 due to the standstill agreement that Ascendis has entered into with its lenders. Refer to note 19 for more details.
- €6 million in August 2020 if EBITDA equals or exceeds €7.5 million for the period.
- An additional payment of €4 million is payable if the average annual EBITDA over the above mentioned three periods exceed €8 million per annum.

The targeted EBITDA is expected to be met.

The discount rate used represents the group's cost of finance. The sensitivity below illustrates the required increase/ decrease in the EBITDA margin to result in the performance target not being met for the two remaining payments, should all other factors remain constant.

Key unobservable input	Impact on fair value
3rd payment	-27.2%
Earn-out	-39.8%

20. Deferred vendor liabilities (continued)

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

The fair value has been determined using the discounted cash flow method. The key valuation inputs include the discount rate of 25% using a risk free rate of 8.47% equal to yield on 10-year South African government bond, PBIAT margin and the probability that certain profit targets will be achieved, making this a Level 3 fair value assessment.

In terms of the agreement should the average PBIAT for 2017 and 2018 exceed a predetermined threshold, the final settlement value will increase. The final settlement value of R55 million was payable in August 2018, however payment was not done due to various product registration issues. The issue has gone to arbitration and the previous owners are claiming R34.5 million. The liability has been reduced to R34.5 million.

The group acquired the **Remedica Group** in August 2016. The initial deferred consideration of €90 million which was payable in August 2019 was amended in 2017 following negotiations with the previous owners. The renegotiated terms stipulated the total deferred consideration to be €86 million, of which €46 million became payable in August 2017 and the remaining €40 million to be settled in August 2019. This payment was not made in August 2019 due to the standstill agreement that Ascendis has entered into with its lenders. Refer to note 19 for more details. The Remedica Group has been classified as a discontinued operation and held for sale in terms of IFRS 5 *Non-current asset held for sale and discontinued operation*, refer to Note 29 for further details. As at 30 June 2019, the carrying amount for the deferred consideration is €39.8 million (R635.6 million) which has been classified as held for sale.

The group acquired **Umecom** in July 2014. The remainder of the deferred consideration of R2.8 million was settled in March 2019.

The group acquired **Cipla Group** in April 2017, the remaining consideration of R50 million was paid in July 2018.

21. Put-option on equity instrument

The put option is recognised as a financial liability which is initially measured at the present value of the redemption amount. Subsequently, the liability is measured at amortised cost using the effective interest method. The Group views EBITDA as a non-financial variable specific to the contract and as a result the put-option liability is recognised at amortised cost.

The Group acquired a 49% controlling interest in Farmalider Group in August 2015. The deferred consideration represents the discounted value of the future cash flows relating to the put-call option to acquire the remaining 51% as at 30 June 2018. The total amount payable of R92.4 million is exercisable in January 2019 (R78.1 million) for 31% and January 2021 (R14.3 million) for the remaining 20%.

On 26 March 2019, the shareholders amended the put-call option as follows:

- The exercise date relating to the first put-option was amended to any date up until the later of the date 30 days after the audit report of the financial statements for Farmalider for the year ended 31 December 2018 has been formally signed by the auditors or the date 45 days after all reasonable information requested by Ascendis in order to conduct its Due Diligence Process is provided.
- The transfer of shares and payment date was amended from 20 days after the exercise of the first put-option to a date that is still to be formalised, but shall fall within 31 December 2019 and 30 January 2020.

21. Put-option on equity instrument (continued)

- The second put-call option which was exercisable from 1 January 2021 was cancelled.

The amendment resulted in the derecognition of the financial liability in terms of the requirements of IFRS 9 *Financial Instruments*.

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

	2019 R'000	2018 R'000
Current	93 622	78 108
Non-current	-	14 309
Total	**93 622**	**92 417**
Opening balance	92 417	113 055
Interest	3 104	3 522
Re-estimated cash flows adjustment	-	(32 532)
Liability derecognised	(95 321)	-
New liability recognised	93 622	-
Foreign exchange movements	(200)	8 372
Closing balance	**93 622**	**92 417**

As a result of the modification of the put-call option the liability is €5.8 million (R93.6 million) as at 30 June 2019.

Fair Value

The initial day one measurement of the redemption amount is a level 3 measurement. The key unobservable inputs are the compounded annual growth rate and the performance multiple. A put-call parity valuation was performed. Put-call parity defines a relationship between the price of a European call option and European put option, both with the identical strike price and expiry, namely that a portfolio of a long call option and a short put option is equivalent to (and hence has the same value as) a single forward contract at this strike price and expiry.

The fair value of the put-option liability for the 2019 financial year has been revised in order to reflect the re-estimated cash flows resulting from the modification of the financial liability. The fair value as at 30 June 2019 is €5.8 million (R93.6 million); (2018: €5.8 million (R92.4 million)). Any fair value adjustments are recorded in profit or loss.

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

Key unobservable input	P/E Multiple	Change in margin	R'000 Impact on fair value
Exchange rate		-10%	9 827
		10%	(8 794)
Compound annual growth rate	9.2	-5%	6 587
	9.2	5%	(7 002)

22. Finance lease liabilities

Finance lease liabilities arise as a result of capitalisation of leased assets in terms of IAS 17. The liability is recognised at the fair value of the minimum lease payments at the inception of the lease. Finance lease liabilities are presented in the statement of financial position as part of non-current/current liabilities depending on the classification.

Each lease payment is allocated between the liability and finance charge. Finance charges, which represent the difference between the total lease commitments and fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each accounting period.

The table below sets out the finance lease obligations held by the group.

	2019 R'000	2018 R'000
Minimum lease payments due		
Within one year	13 243	15 405
Two to five years	19 786	27 482
	33 029	**42 887**
less: future finance charges	(1 588)	(812)
Present value of finance lease liabilities	**31 441**	**42 075**
Present value of minimum lease payments due		
Within one year	12 747	15 099
Two to five years	18 694	26 976
	31 441	**42 075**

The remaining finance lease obligation is repayable over a period of time that ranges up to five years, bearing interest at an average of 4% (2018: 3.5% – 11%) and is secured by plant and machinery to the value of R31 million. (2018: R24 million).

23. Employee benefit obligations

Ascendis has the following employee benefit obligations:

- Employee benefit scheme
- Long-term incentive scheme (LTI)

Employee benefit obligations consist of the following:	2019 R'000	2018 R'000
Non-current		
Employee benefit scheme	5 120	4 714
Long-term incentive scheme	1 527	-
	6 647	4 714
Current		
Employee benefit scheme	-	12 180
Total employee benefit obligations	**6 647**	**16 894**

23. Employee benefit obligations (continued)

Employee benefit scheme

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

Should all key staff members remain employed with Ascendis, all employee benefits will be payable from October 2020 to 2023.

To determine the day one fair value of the long-term employee benefit, the key assumptions are the risk free rate of 8.63% as well as the probability of pay-out. During the current year R12.2 million has been settled. Interest expense capitalised to the liability amounted to R0.4 million in the current period.

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

Long-term incentive scheme (LTI)

The group issued a new long-term incentive award retention scheme which is based on the performance of the Ascendis share price. The scheme is designed to retain and recognise contributions of eligible employees and to provide additional incentives to contribute to the group's growth. The scheme is exercised in three tranches after 3, 4 and 5 years on an equal basis of 33.3% per tranche. The exercise dates for the tranches are 1 October 2021, 1 October 2022 and 1 October 2023. Exercised LTI awards are cash settled and the eligible employees will be entitled to receive cash equal to the difference in the award price and the tradeable price multiplied by the number of the LTI awards granted. The scheme vests to all the selected employees provided that they are still employed by the group on the date that the LTI awards granted becomes exercisable.

The LTI is a cash-settled scheme accounted for in terms of IFRS 2 *Share-based payments*. The fair value of the amount payable to employees in respect of cash-settled incentive scheme is recognised as an expense with a corresponding increase in liabilities, over the period which the employees become unconditionally entitled to a payment. The liability is remeasured to fair value at each reporting date and at settlement date. Any changes in the liability are recognised in profit or loss.

23. Employee benefit obligations (continued)

The following table shows the number of LTI awards linked to each of the tranches:

Number of LTI awards	2019
Tranche 1	1 436 500
Tranche 2	1 436 500
Tranche 3	1 436 500
	4 309 500

Fair value	2019 R'000
Tranche 1	484
Tranche 2	517
Tranche 3	526
	1 527

Reconciliation	Number of LTI awards	2019 R'000
LTI awards granted	6 661 500	-
Charge to profit or loss[1]	-	1 527
LTI awards forfeited	(2 352 000)	-
Settled	-	-
Closing balance	**4 309 500**	**1 527**

[1] Included as part of salaries and wages in the statement of profit or loss.

The fair values at reporting date have been determined by an independent external specialist.
The fair value was determined using the Black-Scholes model using the following inputs:

Assumptions and facts	2019
Grant Date	01 July 2018
Strike price	R10.56
Vesting period	3, 4 & 5 years
Asendis share price at measurement date	R4.70
Expected volatility	66.11%
Risk free interest rate	7.16% - 7.40%
Number of LTI awards conditionally granted	4 309 500
Ascendis share price at valuation date (30 day VWAP)	R4.61

24. Stated Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new ordinary shares are recognised in equity as a deduction (net of tax) from proceeds.

Treasury shares

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

	2019 R'000	2018 R'000
Opening balance	6 512 930	5 447 899
Issue of ordinary shares	-	1 040 505
Raising fees capitalised to stated capital	-	(1 388)
Treasury shares disposed during the year	-	70 077
Treasury shares acquired during the year	(5 401)	(44 163)
Closing balance	**6 507 529**	**6 512 930**

Number of shares	2019 '000	2018 '000
Authorised shares	2 000 000	2 000 000
Issued shares *(fully paid up)*	489 470	489 470

Reconciliation of number of shares in issue:	2019 R'000	2018 R'000
Ordinary shares - opening balance	485 500	431 344
Issued during the year	-	53 531
Ordinary shares - closing balance	485 500	484 875
Treasury shares [1]	(673)	625
Held at the beginning of the period	3 970	4 595
Held at the end of the period	(4 643)	(3 970)
Net closing balance	**484 827**	**485 500**

[1]Treasury shares are held by Elixr Brands (Pty) Ltd

25. 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**

26. Dividends paid

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

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

Dividend declared to non-controlling interest in the current year amounted to R13.2 million (2018: R7.9 million). The table below shows a reconciliation of dividends payable. The dividend payable balance as at year end includes the unclaimed dividend by the group’s shareholders of R0.8 million.

26. Dividends paid (continued)

	2019 R'000	2018 R'000
Balance at the beginning of the year	(7 576)	(1 406)
Dividends declared	(13 211)	(7 879)
Foreign exchange differences	(167)	-
Balance at the end of the year	18 949	7 576
Dividends paid	**(2 005)**	**(1 709)**

27. Net Debt

	2019 R'000	2018 R'000
Cash and cash equivalents	292 481	767 924
Debt repayable within one year including bank overdrafts	(5 847 732)	(1 548 931)
Debt repayable after one year	(234 520)	(5 476 522)
Net Debt	**(5 789 771)**	**(6 257 529)**
Cash and cash equivalents	292 481	767 924
Gross Debt - fixed interest rate	(4 770 183)	(5 635 162)
Gross Debt - variable interest rate	(1 312 069)	(1 390 291)
Net Debt	**(5 789 771)**	**(6 257 529)**

27. Net Debt (continued)

Net debt reconciliation

R'000	Cash and cash equivalents	Repayable within 1 year: Finance leases	Repayable within 1 year: Borrowing	Repayable within 1 year: Deferred vendor liabilities	Repayable within 1 year: Put option on equity instrument	Repayable within 1 year: Employee benefit obligation	Repayable after 1 year: Finance leases	Repayable after 1 year: Borrowing	Repayable after 1 year: Deferred vendor liabilities	Repayable after 1 year: Put option on equity instrument	Repayable after 1 year: Employee benefit obligation	Total
Net Debt as at 30 June 2017	527 175	(9 900)	(1 027 037)	(651 374)	-	-	(20 485)	(4 002 769)	(1 497 139)	(113 055)	(15 188)	(6 809 772)
Cashflows	120 029	(5 199)	288 688	1 217 918	-	-	(6 491)	(449 363)	2 387	-	-	1 167 969
Foreign exchange adjustments	39 419	-	117 464	-	-	-	-	(51 591)	(111 366)	(8 427)	-	(14 501)
Other non-cash movements	-	-	(318 387)	(989 514)	(78 108)	(12 180)	-	(50 415)	729 732	107 173	10 474	(601 225)
Net Debt as at 30 June 2018	**686 623**	**(15 099)**	**(939 272)**	**(422 970)**	**(78 108)**	**(12 180)**	**(26 976)**	**(4 554 138)**	**(876 386)**	**(14 309)**	**(4 714)**	**(6 257 529)**
Cashflows	(421 440)	3 697	387 598	230 061	-	12 180	13 220	(567 186)	-	-	-	(341 870)
Foreign exchange adjustments	(167)	95	25	1 144	620	-	369	(1 213)	3 040	(420)	-	3 493
Reclassification	-	-	(3 866 195)	-	-	-	-	3 866 195	-	-	-	-
Other non-cash movements	-	(1 441)	(1 034 223)	(70 067)	(16 133)	-	(5 307)	1 201 638	718 871	14 729	(1 933)	806 134
Net Debt as at 30 June 2019	**265 016**	**(12 747)**	**(5 452 067)**	**(261 832)**	**(93 621)**	**-**	**(18 694)**	**(54 704)**	**(154 475)**	**-**	**(6 647)**	**(5 789 771)**

28. Tax paid

	2019 R'000	Restated 2018 R'000
Balance at the beginning of the year	20 410	18 585
Current tax for the year recognised in profit or loss	(91 754)	(118 036)
Disposal of a subsidiary	921	-
Acquisition of a subsidiary	-	4 314
Transfer to discontinued operations	(36 087)	30 375
Foreign exchange differences	809	-
Balance at the end of the year	58 481	(20 410)
Current tax receivable	(65 482)	(103 537)
Current tax payable	123 963	83 128
Tax paid	**(47 219)**	**(85 172)**

29. 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.

29.1 Discontinued Operations

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:

29. Discontinued operations (continued)

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.

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.

29.2 Held for sale

With the exception of the businesses mentioned above, there are no other assets and liabilities classified as held for sale during the current year.

The following operations have been disclosed as assets held for sale in the prior year:

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.

29. 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 [(1)]	(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**

[(1)] The impaiment consist of R233 million (2018: 71 million) on intangible assets and goodwill, R10 million impairment on property, plant and equipment, R30 million inventory write-down and R31 million impairment on trade and other receivables.

29. 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)**

30. Business Combinations

For the year ended 30 June 2019

There were no business combinations in the current year.

For the year ended 30 June 2018

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

The Kyron group acquisition, is an excellent strategic fit for Ascendis Animal Health as the business covers complementary therapeutic areas. Ascendis Animal Health, leverages expertise in the areas of veterinary sciences and agronomy to drive its competitive advantage. This acquisition places Ascendis Animal Health as one of the leading local holistic animal healthcare players in the South African market, offering a wide range of prescription and OTC medicines, health and grooming products and surgical equipment for both the farming and companion animal markets.

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

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

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

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

The revenue included in the consolidated statement of profit or loss since 1 March 2018 from Kyron is R60.4 million. Kyron also contributed profit after tax of R11.5 million over the same period.Had the subsidiary been acquired on the first day of the financial year, revenue and profits for the year would have been R158.3 million and R37.4 million respectively.

A purchase price allocation has been performed for the business acquisition which has been included in the financial results in the prior year. The fair value accounting of acquisitions is provisional in nature. The nature of this business is such that further adjustments to the carrying values of acquired assets and/or liabilities, and adjustments to the purchase price, are possible as the detail of the acquired business is evaluated post acquisition. If necessary, any adjustments to the fair values recognised will be made within 12 months of the acquisition date. No adjustments were made to the fair values of the Kyron acquisition.

In respect of trade and other receivables, the gross contractual amounts receivable less the best estimates at the acquisition date of the contractual cash flows not expected to be collected approximate the book values and the revaluation amounts respectively as presented.

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

30. Business Combinations (continued)

	2018 R'000
Cash	156 899
Deferred vendor loans	223 908
Consideration paid	**380 807**
Cash and cash equivalents	60 631
Property, plant and equipment	3 897
Intangible assets within the acquired entity	152 760
Inventories	27 698
Trade and other receivables	16 333
Provisions	(1 592)
Trade and other payables	(8 316)
Borrowings	(3 312)
Dividend Payable	(70 000)
Current tax payable	(4 314)
Deferred tax liabilities	(42 258)
	–
Total identifiable net assets	**131 527**
Resultant goodwill	**249 280**
Total cash paid for acquisition	(156 899)
Cash available in acquired company	60 631
Cash flow relating to business combination	**(96 268)**

31. Group Companies

Composition of the group

The group's principal subsidiaries are set out in Appendix A of these consolidated annual financial statements.

There are no significant joint ventures in the group.

Significant judgement: consolidation of entities with less than 50% ownership

The group has concluded that it controls Farmalider, even though it holds 49% interest. This is because Ascendis has a written put option over 51% non-controlling interest, refer to note 21 for further details.

31. Group Companies (continued)

Details of non-wholly owned subsidiaries

	Proportion of ownership interest and voting rights held by non-controlling interests		Profit attributable to non-controlling interest		Equity attributable to non-controlling interests	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Farmalider	51%	51%	8 114	22 978	138 804	129 382
Individually immaterial subsidiaries with non-controlling interests	46%	46%	2 465	2 006	29 889	32 133
			10 579	**24 984**	**168 693**	**161 515**

Material non-controlling interests

Farmalider's non-controlling interest is considered material for the group. The remaining NCI is not material and therefore no further disclosures in terms of IFRS is necessary. Set out below is the summarised financial information for Farmalider. The amounts disclosed are before inter-company eliminations.

Summarised Statement of Profit and Loss and Other Comprehensive income	**2019 R'000**	**2018 R'000**
Revenue	579 347	559 203
Profit before tax	15 378	37 877
Total comprehensive income	**7 790**	**41 909**

Summarised statement of financial position	**2019 R'000**	**2018 R'000**
Non-current assets	320 640	386 187
Current assets	275 520	320 672
Total assets	**596 160**	**706 859**
Non-current liabilities	54 704	49 597
Current liabilities	288 613	245 009
Total liabilities	**343 317**	**294 606**
Total net assets	**252 843**	**412 253**

32. Investments accounted for using the equity method

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

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

	2019 R'000	2018 R'000
Investment in associate accounted at cost [1]	-	1 621

32. Investments accounted for using the equity method (continued)

The amounts recognised in the statement of profit or loss are as follows:

	2019 R'000	2018 R'000
Income from equity accounted investments	-	2 687

[(1)] The investment in Pharma Intergral S.I. has been impaired to zero as the associate is dormant with no earnings.

33. Financial instruments

Adoption of IFRS 9

The group adopted IFRS 9 retrospectively on 1 July 2018, without restating comparative information. The group also adopted the consequential amendments to IFRS 7 *Financial Instruments: Disclosure*. Accordingly, information relating to 30 June 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39 *Financial Instruments: Recognition and Measurement*. Refer to note 36 for details regarding the accounting policies in terms of IAS 39, the initial application of IFRS 9 and the resulting impact. The group does not apply the hedge accounting.

Accounting for financial instruments

Financial instruments comprise other financial assets, trade and other receivables (excluding prepayments), cash and cash equivalents, borrowings, other non-current liabilities (excluding provisions), bank overdrafts, derivatives and trade and other payables.

Recognition and classification

Financial assets and liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instruments.

Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date; if not, they are classified as non-current. Financial liabilities are classified as non-current if the group has an unconditional right to defer payment for more than 12 months from the reporting date.

The group classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL) based on the group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial assets are not reclassified unless the group changes its business model. In rare circumstances where the group does change its business model, reclassifications are done prospectively from the date that the group changes its business model.

Financial liabilities are classified as measured at amortised cost except for those derivative liabilities that are measured at FVTPL.

33. Financial instruments (continued)

Measurement on initial recognition

All financial assets (unless it is a trade receivable without a significant financing component) and liabilities are initially measured at fair value, including transaction costs, except for those classified as at FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss. Trade receivables without a significant financing component are initially recognised at the transaction price.

All financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Modification of financial liabilities

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument. The net difference between extinguished original debt instrument and recognition of new debt instrument is recorded in profit or loss.

Gains or losses arising from the modification of the terms of a debt instrument are recognised immediately in profit or loss where the modification does not result in derecognition of the existing instrument.

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position. As at 30 June 2018, no offsetting of financial instrument was done.

Impairment

Under IFRS 9 the group calculates its allowance for credit losses (ECLs) for financial assets that are measured at amortised cost. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive. ECLs are discounted at the original effective interest rate (EIR) of the financial asset.

The group applies the simplified approach to determine the ECL for trade receivables. This results in calculating lifetime expected credit losses for trade receivables. The group uses a mixture of the provision matrix and simplified parameter-based approach for the calculation of ECLs for trade receivables.

33. Financial instruments (continued)

33.1 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. This note presents information about the group's exposure to each of the risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group considers natural hedges that may exist and, in addition, where possible, uses derivative financial instruments such as forward exchange contracts to hedge exposures.

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

The group treasury risk management policy is to hedge between 50% and 100% of the anticipated cash flows (mainly export sales and purchases of inventory) in each major foreign currency for the subsequent nine months. The forward exchange contracts acquired by group treasury are treated as economic hedges. Please refer to the fair value hierarchy (Note 34) and the sensitivity on foreign currency exposure for the quantification of the instruments.

33.2. Categories of financial instruments

2019 R'000	Amortised cost	Mandatorily at fair value through profit or loss	Fair value through OCI	Total carrying amount[1]
Financial assets				
Non-current				
Other financial assets	56 752	-	-	56 752
Current				
Trade and other receivables	1 130 053	-	-	1 130 053
Other financial assets	6 439	-	-	6 439
Derivative financial instruments	-	134	-	134
Cash and cash equivalents	292 481	-	-	292 481
	1 485 725	**134**	**-**	**1 485 859**

33. Financial risk management (continued)

33.2. Categories of financial instruments (continued)

2019 R'000	Amortised cost	Mandatorily at fair value through profit or loss	Fair value through OCI	Total carrying amount[1]
Financial liabilities				
Non-current				
Borrowings and other financial liabilities	54 704	-	-	54 704
Deferred vendor liabilities	-	154 475	-	154 475
Current				
Borrowings and other financial liabilities	5 452 067	-	-	5 452 067
Deferred vendor liabilities	-	261 832	-	261 832
Put option on equity instrument	93 622	-	-	93 622
Derivative financial instruments	-	1 476	1 267	2 743
Trade and other payables	720 280	-	-	720 280
Bank overdraft	27 464	-	-	27 464
	6 348 137	**417 783**	**1 267**	**6 767 187**

2018 R'000	Loans and receivables	Fair value through profit or loss	Fair value through OCI	Total carrying amount
Financial assets				
Non-current				
Derivative financial instruments	-	-	114	114
Other financial assets	55 751	-	-	55 751
Current				
Trade and other receivables	1 709 203	-	-	1 709 203
Other financial assets	1 112	-	-	1 112
Derivative financial instruments	-	30 848	-	30 848
Cash and cash equivalents	767 924	-	-	767 924
	2 533 990	**30 848**	**114**	**2 564 951**
Financial liabilities				
Non-current				
Borrowings and other financial liabilities	4 554 138	-	-	4 554 138
Deferred vendor liabilities	406 547	469 838	-	876 386
Put option on equity instrument	14 309	-	-	14 309
Current				
Borrowings and other financial liabilities	939 272	-	-	939 272
Deferred vendor liabilities	360 632	62 337	-	422 969
Put option on equity instrument	78 108	-	-	78 108
Trade and other payables	999 101	-	-	999 101
Derivative financial instruments	-	-	4 711	4 711
Bank overdraft	81 301	-	-	81 301
	7 433 408	**532 175**	**4 711**	**7 970 295**

[1] The carrying amount of all financial assets and liabilities closely approximates the fair value.

33. Financial instruments (continued)

33.3 Liquidity risk

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

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

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

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

At year end the group had the following liquid resources: trade and other receivables R1 180 million (2018: R1 872 million), short-term deposits of R37.8 million (2018: R 106.3 million) and bank balances of R254 million (2018: R 660.6 million) to manage liquidity risk. Additionally, undrawn revolving credit facilities of €nil (Rnil) exist at 30 June 2019, (30 June 2018: €17 374 (R277 993)), undrawn ZAR denominated revolving credit facilities of R62 million and overdraft facilities are available. Refer to the Going concern section of the Accounting policies note for more information on the group’s liquidity constraints and actions put in place by management to address it.

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

2019 R'000	3 months	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
Continuing operations						
Borrowings and other financial liabilities	810 180	4 641 887	17 553	32 905	4 246	5 506 771
Deferred vendor liabilities	83 040	178 792	154 475	-	-	416 307
Put-option liability	-	93 622	-	-	-	93 622
Bank overdraft	27 464	-	-	-	-	27 464
Trade and other payables	652 745	67 535	-	-	-	720 280
Total	**1 573 429**	**4 981 836**	**172 028**	**32 905**	**4 246**	**6 764 443**

33. Financial instruments (continued)

33.3 Liquidity risk (continued)

2019 R'000	3 months	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
Discontinued operation						
Borrowings and other financial liabilities	-	164 721	-	-	-	164 721
Deferred vendor liabilities	-	634 966	-	-	-	634 966
Bank overdraft	39 531	-	-	-	-	39 531
Trade and other payables	521 940	-	-	-	-	521 940
Total	**561 471**	**799 687**	**–**	**–**	**–**	**1 361 158**

2018 R'000	3 months	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
Continuing operations						
Borrowings and other financial liabilities[1]	294 112	645 160	648 682	3 906 429	-	5 494 383
Deferred vendor liabilities	285 017	137 952	876 386	-	-	1 299 355
Put-option liability	-	78 108	14 309	-	-	92 417
Bank overdraft	27 419	-	53 882	-	-	81 301
Trade and other payables [1]	1 010 009	315 010	-	-	-	1 325 019
Total	**1 616 557**	**1 176 230**	**1 593 259**	**3 906 429**	**–**	**8 292 475**
Discontinued operations						
Borrowings and other financial liabilities[1]	18 270	-	-	-	-	18 270
Trade and other payables	20 081	-	-	-	-	20 081
	38 351	**–**	**–**	**–**	**–**	**38 351**

[1] The balance for borrowings and other financial liabilities and trade and other payables have been restated, refer to the restatement section of the accounting policies note for further details.

33.4 Credit risk

Credit risk or the risk of financial loss to the group is due to customers or counterparties not meeting their contractual obligations. It is managed through application of credit approvals, limits and monitoring procedures.

Credit risk arises from cash and cash equivalents, other financial assets carried at amortised cost, derivatives financial assets and deposits with banks and financial institutions as well as credit exposures to all customers including all outstanding receivables.

Impairment of financial assets

The group has the following types of financial assets that are subject to the expected credit loss (ECL) model:

- Trade receivables
- Other receivables
- Other financial assets
- Cash and cash equivalents

33. Financial instruments (continued)

33.4 Credit risk (continued)

The application of the ECL model has a minor impact on other financial assets, but a relatively significant impact on trade receivables.

Included in other financial assets are amounts receivable from related parties to which the group has applied the general impairment model. The group has considered the financial performance, external debt and future cash flows of the related parties and concluded that the credit risk relating to these receivables are limited and consequently the probability of default relating to these balances are low,

Trade receivables

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

The group applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics, size and the days past due. The credit loss allowance is measured using a combination of the simplified parameter-based approach and the provision matrix. Provision matrix is applied to the general debtors book where each customer contributes to less than 10% of the total debtors book. He simplified parameter-based approach is applicable to government customers and listed customers with a balance of more than 10% of the total debtors book as at year end.

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. Trade receivables 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 the 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 date to the extent that there is a strong correlation between the forward-looking information and the ECL.

The group used up to 60 months sales data to determine the payment profile of the sales. The data was divided into separate observation periods, generally of 12 months. The group used actual write offs where it was available as a basis for the historical write-off in order to determine the default rate. Alternatively, management has used the proxy write-off based on management's best estimate. The group has considered both quantitative and qualitative forward-looking information.

Management has applied the presumption that a customer is in default when 90 days past due.

33. Financial instruments (continued)

33.4 Credit risk (continued)

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 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.

The loss allowance as at 30 June 2019 for trade receivables to which the provision matrix had been applied is determined as follows:

2019 R'000	Gross Carrying Amount	Impairment	Average ECL/ Impairment ratio
Continuing operations			
Current	523 367	(3 656)	0.70%
More than 30 days past due	145 236	(2 568)	1.77%
More than 60 days past due	40 894	(1 598)	3.91%
More than 90 days past due	86 006	(30 057)	34.95%
	795 503	**(37 879)**	**4.76%**
Discontinued operations			
Current	505 887	(6 898)	1.36%
More than 30 days past due	105 630	(3 554)	3.36%
More than 60 days past due	85 678	(4 783)	5.58%
More than 90 days past due	123 804	(17 921)	14.48%
	820 999	**(33 156)**	**4.04%**

1 July 2018 R'000	Gross Carrying Amount	Impairment	Average ECL/ Impairment ratio
Current	949 242	(10 989)	1.16%
More than 30 days past due	205 669	(5 364)	2.61%
More than 60 days past due	60 944	(3 397)	5.57%
More than 90 days past due	214 571	(38 019)	17.72%
	1 430 426	**(57 769)**	**4.04%**

33. Financial instruments (continued)

33.4 Credit risk (continued)

Simplified parameter-based approach

ECL is calculated using a formula incorporating the following parameters: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) i.e. (PD x LGD x EAD = ECL). 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 customers include all government and public listed customers to the extent that the relevant information is available.

The balance of trade receivables to which the simplified parameter-based approach has been applied as follows:

2019 R'000	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Continuing operations			
Government customers	160 376	(286)	160 090
Public listed customers	54 254	(13 923)	40 331
	214 630	**(14 209)**	**200 421**
Discontinued operations			
Public listed customers	47 022	(515)	46 507
	47 022	**(515)**	**46 507**

1 July 2018 R'000	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Government customers	198 873	(3 266)	195 607
Public listed customers	99 568	(7 909)	91 659
	298 441	**(11 175)**	**287 266**

33. Financial instruments (continued)

33.4 Credit risk (continued)

The opening to closing movement in allowances for trade receivables as at 30 June are as follows:

	2019 R'000	2018 R'000
Opening balance - calculated under IAS 39	41 192	69 670
Amounts restated to opening retained earnings	27 752	-
Opening loss allowance as at 1 July 2018 - calculated under IFRS 9	**68 944**	**69 670**
Income statement charge	17 373	(31 338)
Increase in loss allowance	17 373	1 698
Unused amounts reversed	-	(33 036)
Acquired as part of business combination	-	(149)
Transferred to discontinued operation	(33 526)	-
Exchange rate differences	(703)	3 009
As at 30 June	**52 088**	**41 192**

Net impairment loss recognised in the statement of profit or loss amounted to R24.7 million (2018: R14.6 million (profit)), which includes R17.4 million (2018: R31.3 million (profit)) movement in allowance for trade receivables and R7.3 million (2018: 16.7 million) bad debt written off directly to profit or loss.

Other receivables

The group has exposure to right of return asset, Isando sale receivable and other receivable. Other receivables do not have external credit ratings and they are assessed internally as performing. For the purpose of impairment assessment, other receivables are considered to have low credit risk as the probability of default is very low and ECL is considered immaterial. The loss allowance is measured at an amount equal to 12-month expected credit losses.

Other financial assets

Included in other financial assets are amounts receivable from related parties. There is no external credit rating for other financial assets.

Internally, it was assessed that the credit risk with regards to the amount receivable from the previous owners of Chempure t/a Solal has increased significantly since initial recognition as the receivables are past due. The group is doubtful that the amount will be received in full. For this reason, lifetime ECL has been applied and a provision of R5 million has been recognised. The receivable is not credit impaired.

Other financial assets are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realist prospect of recovery. In the current year, it was assessed that the receivable from Coast2Coast Capital (Pty) Ltd is not recoverable. The total amount receivable of R10.9 million was written off and the receivable was derecognized

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33. Financial instruments (continued)

33.4 Credit risk (continued)

The remaining other financial assets were assessed internally as performing. These other financial assets are considered to have low credit risk as the probability of default is very low and ECL is considered immaterial.

Cash and cash equivalents

The group determines appropriate internal credit limits for each counterparty. In determining these limits, the group considers the counterparty's credit rating established by accredited ratings agency. The group manages its exposure to a single counterparty by spreading transactions among approved financial institutions.

The risk rating grade of cash and cash equivalents are set out in the table below. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Credit rating of financial institutions	2019 R'000
Baa3	146 998
Baa1	60 620
A2	53 087
Aa2	2 177
Ba1	2 135
	265 017

33.5 Market risk

Market risk is the risk that changes in market prices such as interest rates and foreign currencies will affect the group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

The group treasury policy specifies approved instruments which may be used to economically hedge the group's exposure to variability in interest rates and foreign currency and to manage market risk exposures within the parameters by the group's board of directors.

Interest rate risk

Interest rate risk is the risk that arises in an interest-bearing asset or liability, due to variability of interest rates.

The group's interest rate risk arises from cash and cash equivalents, borrowings and bank overdrafts. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by interest rate swaps.

The group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Swaps relating to South African borrowings have been designated as cash flow hedges. Refer to the finance income and cost note (Note 7). At 30 June 2019, 23% (2018: 26%) of long-term borrowings were hedged. Refer to note 19 for disclosure on borrowings and other financial liabilities.

33. Financial instruments (continued)

33.5 Market risk (continued)

The group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional amounts.

The table below illustrates the interest rate charged on the financial instruments:

R'000	2019 Fixed rate instruments	2019 Variable rate instruments	2018 Fixed rate instruments	2018 Variable rate instruments
Non-current financial assets				
Other financial assets	56 752	-	55 751	-
	56 752	**-**	**55 751**	**-**
Current financial assets				
Other financial assets	6 439	-	1 112	-
Cash and cash equivalents	243 792	48 689	707 221	60 703
	250 231	**48 689**	**708 333**	**60 703**
Non-current financial liabilities				
Borrowings and other financial liabilities	54 704	-	3 165 237	1 390 291
Deferred vendor liability	154 475	-	876 386	-
Put option on equity instrument	-	-	14 309	-
	209 179	**-**	**4 055 932**	**1 390 291**
Current financial liabilities				
Borrowings and other financial liabilities	4 140 444	1 312 069	939 272	-
Deferred vendor liability	261 832	-	422 969	-
Put option on equity instrument	93 622	-	78 108	-
Bank overdraft	27 464	-	81 301	-
	4 523 362	**1 312 069**	**1 521 650**	**-**

Interest rate swaps
Swaps currently in place cover approximately 96% (2018: 100%) of the variable loan principal outstanding. The fixed interest rate of the swaps range between 7.2% and 7.6% (2018: 7.0% and 7.6%) and the variable rates of loans between 10.8% and 11.4%.

Details of interest rate swaps are as follows:

	2019 R'000	2018 R'000
Carrying amount	1 267	4 597
Notional amount	1 263 309	1 431 600
Maturity date	2019/09/30	2019/09/30

33. Financial instruments (continued)

33.5 Market risk (continued)

Sensitivity analysis

The group has used a sensitivity analysis technique that measures the estimated change to profit or loss of an increase or decrease by 1% (100 basis points) in market interest rates, from the rate applicable at 30 June, for each class of financial instruments with other variables remaining constant. The group is mainly exposed to fluctuations in the following market interest rates: JIBAR and EURIBOR and money market rates. Changes in market interest rate affect the interest income or expense of floating rate financial instruments. A change in the above mentioned market interest rates at the reporting date would have increased/decreased profit before tax by the amount shown below:

The analysis has been performed for illustrative purposes only, as in practice market rates rarely change in isolation. The analysis has been performed based on of the change occurring at the start of the reporting period and assumes that all the other variables remain constant.

	Increase/decrease in profit before tax		
2019 R'000	Change in interest rate	Upward change in interest rate	Downward change in interest rate
Interest rate swap	1%	12 633	(12 633)

Foreign exchange risk

Foreign currency risk is the exposure to exchange rate fluctuations that have an impact on cash flows and financing activities.

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

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

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

33. Financial instruments (continued)

33.5 Market risk (continued)

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

Currency	2019 Closing rate	2019 Average rate	2018 Closing rate	2018 Average rate
Australian Dollar	9.85	10.11	10.14	9.94
Euros	15.97	16.43	16.00	15.48
Romanian leu	3.38	3.47	3.43	3.31
Swiss Franc	14.44	14.44	13.81	13.81
UK pound sterling	17.83	18.45	18.09	18.45
US dollar	14.05	14.55	13.70	13.26
Yen	0.13	0.13	0.12	0.12

The change in exchange rate applied in the below mentioned sensitivity analysis is based on the actual movement in exchange rates during the 2019 financial period.

Foreign denominated balances held by the group at year end:	R'000	Change in exchange rate	Impact on financial results R'000
Current assets			
UK Pound	326	1.46%	5
Euros	3 542	0.21%	8
US Dollars	9 465	-2.53%	(240)
Current liabilities			
UK Pound	(967)	1.46%	(14)
Euros	(42 238)	0.21%	(90)
US Dollars	(170 085)	-2.53%	4 309
Swiss Franc	(50)	-4.56%	2
YEN	(477)	-9%	42
Net impact from foreign denominated balances	**(200 484)**	**-**	**4 022**
Foreign operations (majority denominated in Euros):			
Current assets	6 450 053	0.21%	13 697
Current liabilities	(7 089 949)	0.21%	(15 055)
Net impact from foreign denominated balances:	**(639 896)**	**-**	**(1 358)**
Net impact of foreign exposure on profit/loss:	**(840 380)**	**-**	**2 664**
Forward exchange contracts			
US dollar	(1 341)	-2.53%	34
Net impact including economic hedges on profit/loss	**(1 341)**	**-**	**34**

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

33. Financial instruments (continued)

33.6 Derivative financial instruments

The group uses derivative financial instruments such as forward exchange contracts and interest rate swaps to manage its exposure to foreign exchange rate and interest rate risks.

Derivatives are initially recognised at fair value and the date the derivate contracts are entered into and are subsequently remeasured to the fair value as at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The group does not apply hedge accounting.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivative financial instrument	Current R'000	Non-current R'000
2019		
Foreign exchange contracts	1 476	-
Interest rate swaps	1 267	-
	2 743	**-**
2018		
Interest rate swaps	4 711	-
	4 711	**-**

Derivative financial instrument assets	Current R'000	Non-current R'000
2019		
Foreign exchange contracts	134	-
	134	**-**
2018		
Foreign exchange contracts	30 848	-
Interest rate swap	-	114
	30 848	**114**

33.7 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Refer to page 24 – 28 for further details regarding going concern assessment for the group.

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

33. Financial instruments (continued)

33.7 Capital risk management (continued)

In addition, the group has long-term and short-term borrowings in place to meet the anticipated funding requirements. Borrowings are monitored based on the gearing ratio, which is consistent with others in the industry. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ’current and non-current borrowings and other financial liabilities’ as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as ’equity’ as shown in the statement of financial position plus net debt. The group targets a gearing ratio of 13% in line with the industry optimal capital structure.

The table below serves to illustrate the group's gearing ratio at 2019 and 2018.

	Notes	2019 R'000	2018 R'000
Derivative financial instruments	33.6	2 609	(26 251)
Borrowings and other financial liabilities	19	5 506 771	5 493 410
Deferred vendor liabilities	20	416 306	1 299 356
Put-option on equity instrument	21	93 622	92 417
Total borrowings		**6 019 308**	**6 858 932**
Cash and cash equivalents	15	(265 017)	(686 624)
Net debt		**5 754 291**	**6 172 309**
Total equity [(1)]		2 130 622	6 740 134
Total capital		**7 884 913**	**12 912 443**
Gearing ratio [(2)]		**73%**	48%

[(1)] 2018 total equity includes the opening balance adjustments as a result of the application of IFRS 9 and IFRS 15

[(2)] The ratio has increased in the current year due to the loss after tax of R4.7 billion which has significantly reduced equity.

Refer to note 19 regarding the terms and conditions, securities and covenants applicable to borrowings.

34. Fair value estimation

A number of group accounting policies and disclosures require the measurement of fair values. The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The classification of assets and liabilities into different levels is based on the extent that quoted prices are used in the calculation of fair value and the levels have been defined as follows:

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

34. Fair value estimation (continued)

The carrying amount of cash and cash equivalents, bank overdrafts, trade receivables and trade payables approximates the fair value due to their short-term maturity nature. The fair value disclosure for these items is therefore not required.

The following table presents the group's financial assets and liabilities that are measured and disclosed at fair value on a recurring basis:

2019 R'000	Notes	Level 1	Level 2	Level 3	Total
Measured at fair value on a recurring basis					
Deferred vendor liabilities	20	-	-	416 306	416 306
Foreign exchange contracts		-	1 476	-	1 476
Interest rate swap		-	1 267	-	1 267
Not measured at fair value on a recurring basis					
Borrowings and other financial liabilities		-	5 506 771	-	5 506 771
Total liabilities		**-**	**5 509 514**	**416 306**	**5 925 820**
Foreign exchange contract		-	134	-	134
Contract for difference		-	-	-	-
Total assets		**-**	**134**	**-**	**134**

2018 R'000	Notes	Level 1	Level 2	Level 3	Total
Measured at fair value on a recurring basis					
Deferred vendor liabilities	20	-	-	532 175	532 175
Interest rate swap		-	4 711	-	4 711
Not measured at fair value on a recurring basis					
Borrowings and other financial liabilities		-	5 494 383	-	5 494 383
Total liabilities		**-**	**5 499 094**	**532 175**	**6 031 269**
Measured at fair value on a recurring basis					
Foreign exchange contract		-	30 848	-	30 848
Interest rate swaps		-	114	-	114
Total assets		**-**	**30 962**	**-**	**30 962**

Reconciliation of level 3 category instruments

	2019 R'000	2018 R'000
Deferred vendor loans:		
Opening balance	532 175	385 630
New vendor loans raised	-	123 908
Repayments during the year	(78 219)	(10 956)
Interest charged	20 361	14 120
Re-measurement	(55 412)	-
Foreign currency translation difference	(2 598)	19 473
	416 307	**532 175**

34. Fair value estimation (continued)

There were no transfers between level 1, 2 or 3 for the group during the year. The new vendor loans raised, remeasurement made and interest accrued included non-cash measurement items.

Valuation methods and assumptions

The following methods and assumptions were used to estimate the respective fair values:

Deferred vendor liabilities

This relates to contingent consideration on business combination transactions. The fair values have been estimated using the discounted cash flow model. The discounted method was used to capture the present value of the expected future economic benefits that will flow out of the group arising from the contingent consideration. The significant unobservable inputs in relation to the contingent consideration incudes EBIT margin and EBITDA margin. A slight increase in these inputs in isolation would result in a significant increase in the fair value. Refer to Note 20 on the sensitivity analysis performed on the fair value.

Derivative financial instruments

The group enters into derivative financial instruments with various financial institutions. Derivative financial instruments are valued using valuation techniques which employ the use of observable inputs. The future cash flows on forward exchange contracts and interest rate swaps are estimated based on the forward exchange rates and forward interest rates at the end of the period discounted at a rate that reflects the credit risk of various counterparties.

Borrowings and other financial liabilities

The group has a borrowing facility with various financial institutions. The key valuation inputs in the fair value assessment are the interest rate (observable) and credit risk (unobservable) .

35. Related parties

Related party transactions constitute the transfer of resources, services or obligations between the group and party related to the group, regardless of whether a price is charged. For the purposes of defining related party transactions with key management, key management has been defined as directors and the group’s executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals.

35. Related parties (continued)

Key management compensation 2019

R'000	Basic Salary	Travel Allowance	Bonus and incentives	Retirement/ medical benefits	Other benefits and costs	Long service award	Termination cost ^	Non executive Directors fees	Non executive Directors other	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	**9 904**	**-**	**7 744**	**88**	**900**	**-**	**3 600**	**-**	**-**	**22 236**
Key management	35 810	465	5 796	2 472	393	-	-	-	-	44 936
Total executive and key management	**45 714**	**465**	**13 540**	**2 560**	**1 293**	**-**	**3 600**	**-**	**-**	**67 172**
Non-executive directors										
AB Marshall *	-	-	-	-	-	-	-	92	417	509
JA Bester ***	-	-	-	-	-	-	-	908	-	908
GJ Shayne **	-	-	-	-	-	-	-	187	-	187
Dr NY Jekwa	-	-	-	-	-	-	-	463	574	1 037
J Sebulela *	-	-	-	-	-	-	-	390	-	390
PM Roux **	-	-	-	-	-	-	-	21	-	21
B Harie	-	-	-	-	-	-	-	668	-	668
MS Bomela	-	-	-	-	-	-	-	475	-	475
Dr KS Pather	-	-	-	-	-	-	-	665	-	665
Total non-executive	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3 869**	**991**	**4 860**
Total	**45 714**	**465**	**13 540**	**2 560**	**1 293**	**-**	**3 600**	**3 869**	**991**	**72 032**

35. Related parties (continued)

Key management compensation 2018

R'000	Basic Salary	Travel Allowance	Bonus and incentives	Retirement/ medical benefits	Other benefits and costs	Long service award	Termination cost	Non executive Directors fees	Non executive Directors other	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	**14 415**	**177**	**3 110**	**169**	**387**	**17 180**	-	-	-	**35 438**
Key management	36 684	503	3 534	2 649	270	-	-	-	-	43 640
Total executive and key management	**51 099**	**680**	**6 644**	**2 818**	**657**	**17 180**	**-**	**-**	**-**	**79 078**
Non-executive directors										
JA Bester ***	-	-	-	-	-	-	-	875	-	875
B Harie	-	-	-	-	-	-	-	495	-	495
MS Bomela *	-	-	-	-	-	-	-	353	-	353
Dr KS Pather *	-	-	-	-	-	-	-	475	-	475
Total non-executive	-	-	-	-	-	-	-	**2 198**	**-**	**2 198**
Total	**51 099**	**680**	**6 644**	**2 818**	**657**	**17 180**	**-**	**2 198**	**-**	**81 276**

^^ SDL & UIF legislative costs

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

35. Related parties (continued)

Summary of directors' appointments, resignations and retirements

*	Appointed
AB Marshall	03 May 2019
J Sebulela	02 October 2018
Dr KS Pather	10 November 2017
MS Bomela	10 November 2017

**	Appointed	Resigned
TB Thomsen	01 March 2018	23 May 2019
GJ Shayne	01 March 2008	31 March 2019
PM Roux	03 May 2019	07 June 2019
Dr KUHH Wellner	01 July 2011	29 June 2018
CB Sampson	01 July 2015	29 June 2018

^ TB Thomsen's termination costs were based on the notice terms in his employment contract.

***	Appointed	Retired
JA Bester	01 October 2013	03 May 2019

Directors' interest in shares

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

	Number of shares		
	Direct	**Indirect**	**Total**
K Futter	296 286	-	296 286
B Harie	3 548	128 318	131 866
Dr KS Pather	24 650	20 000	44 650
Dr NY Jekwa	2 222	-	2 222
30 June 2019	**326 706**	**148 318**	**475 024**
GJ Shayne	253 647	119 319 437	119 573 084
CD Dillon	1 018 900	21 800 238	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
B Harie	3 548	108 317	111 865
DR KS Pather	24 650	20 000	44 650
JA Bester	16 200	-	16 200
30 June 2018	**4 711 713**	**141 499 492**	**146 211 205**

The independent non-executive directors interests in the issued share capital of the Company represent less than 0.1% of the total issued share capital of the Company at 30 June 2019. Additionally, interests held by the independent non-executive directors are immaterial in relation to their respective overall investment portfolios. This is disclosed to the board on a quarterly basis. Accordingly, their continued participation as directors is deemed not to be impaired.

35. Related parties (continued)

Loans to and from related parties

Loans to Directors of subsidiaries:	2019 R'000	2018 R'000
As at 1 July	3 618	16 197
Loans advanced during the year	-	-
Loans repaid during the year	-	(12 838)
Interest charged	264	259
As at 30 June	**3 882**	**3 618**

Loans to Key Management:	2019 R'000	2018 R'000
As at 1 July	4 212	8 078
Loans advanced during the year	-	-
Loans repaid during the year	-	(4 224)
Interest charged	367	358
As at 30 June	**4 579**	**4 212**

Please refer to the disclosure in Other financial assets (Note 11) for more information on the counter parties and terms of the loans making up the balance disclosed above.

Loans to Ascendis shareholder:	2019 R'000	2018 R'000
As at 1 July	38	-
Loans advanced during the year	10 000	-
Other charges	830	38
Impairment of receivable	(10 868)	-
As at 30 June	**-**	**38**

Coast2Coast Capital (Pty) Ltd is a related party of Gane Holdings, where the main shareholders are the founding partners of Ascendis, GJ Shayne and CD Dillon. This loan to Coast2Coast Capital (Pty) Ltd was assessed as not recoverable and therefore it was fully impaired in the current year.

35. Related parties (continued)

Transactions with related parties	2019 R'000	2018 R'000
Coast to Coast		
Interest received from Coast2Coast	830	-
Expenses recovered from Coast2Coast	-	5 680
Advisory fees and Accrued income to Coast2Coast	(2 477)	(20 336)
Rent paid to Coast2Coast	(18 869)	(20 090)
Rent paid to Ascendis Skin and Body (Pty) Ltd - subsidiary	-	(460)
Nimue sales with Ascendis Skin and Body (Pty) Ltd - subsidiary	-	20
Farmalider (related party to Farmalider CEO)		
Sales force from Benel-Plus S.L.	460	-
Outsourced ITC to Dberenguer Servicios Integrales S.L.	882	-
Sale of dossiers to MMC International Health Holding S.L.U.	1 894	-

Balances with related parties - subsidiaries	2019 R'000	2018 R'000
Coast to Coast		
Ascendis Management Services (Pty) Ltd:		
Trade Payable	-	(14 228)
Trade Receivable	-	14 019
Ascendis Skin & Body (Pty) Ltd:		
Trade Receivable	-	1
Farmalider (related party to Farmalider CEO)		
Outsourced ITC to Dberenguer Servicios Integrales S.L.	88	-

36. 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.

36. Changes in accounting policies (continued)

	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**

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 or retailer, the customer 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.

36. Changes in accounting policies (continued)

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.

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:

36. Changes in accounting policies (continued)

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).
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 which is not within the scope of IFRS 15.The free use of equipment was assessed as an arrangement containing a lease in terms of IFRIC 4 and IAS 17. Maintenance service is considered a distinct service within the scope of IFRS 15 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:

36. Changes in accounting policies (continued)

	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)**

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. Refer to the Note 33.2 for further disclosure on the categories 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.

36. Changes in accounting policies (continued)

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.

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.

Refer to Note 31.4 for further details on the accounting policy applied.

36. Changes in accounting policies (continued)

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)**

37. Commitments

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**	**-**

Operating lease commitments – Group company as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

The group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease assets and recognised as an expense over the lease term on the same basis as the lease income.

37. Commitments (continued)

The group as a lessee

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets.

Rentals payable under operating leases are charged to profit or loss on a straightline basis over the terms of the relevant lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed. The group has various non-cancellable operating lease agreements for property, vehicles and software maintenance and support that have varying market related terms and escalation clauses. Options to renew the lease contracts vary between 3 and 10 years.

Finance lease commitments are disclosed note 22.

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**

38. 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 R31.5 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.

38. 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, 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.

39. 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. The Bioscience division was disposed for a consideration of R473 million.

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.

Appendix A: Interests in subsidiaries

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

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

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

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

The following companies have been disposed:

- Rotaq Luederitz (Pty) Ltd
- Ascendis Health International (Pty) Ltd
- Pharmadyne Healthcare (Pty) Ltd

The following companies have been deregistered:

- Taurus Chemicals Namibia (Pty) Ltd
- Nimue Bioscience (Pty) Ltd
- Nimue Distribution (Pty) Ltd
- Lexshell 155 General Trading (Pty) Ltd
- RCA Pharma (Pty) Ltd

The following companies investment value has increased:

- Innovazone Labs LLC (Spain) (*The cost of the investment increased because the company was previously impaired, the impaired was reversed in 2019).*
- Scitec Ipari és Kereskeedelmi Kft (Hungary) (*The increase was due to the capitalisation of loan receivable to the cost of the investment).*
- Vitalcare Pharma (Spain) *(The increase was due to the increase of the property holding from 50% to 100%).*
- K2012179211 (South Africa) (Pty) Ltd [Evox & Marltons holdco] *(There was an increase in the cost of investment due to the transfer of cost of investment from the holding company to the relevant subsidiary)*

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

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
ANIMAL HEALTH						
Ascendis Animal Health (Pty) Ltd	100%	100%	160 056	160 056	-	-
Ascendis Vet (Pty) Ltd	100%	100%	297 017	272 528	-	-
Kyron Animal Health (Pty) Ltd	100%	100%	500	500	-	-
Kyron Laboratories (Pty) Ltd	100%	100%	380 807	380 807	380 807	380 807
Kyron Prescriptions (Pty) Ltd	100%	100%	0	0	-	-

Appendix A: Interests in subsidiaries (continued)

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
	2019	2018	2019	2018	2019	2018
CONSUMER HEALTH						
Ascendis Consumer Brands (Pty) Ltd	100%	100%	4	4	4	4
Ascendis Health Australia (Pty) Ltd *	100%	100%	-	13 908	-	13 908
Ascendis Health Direct (Pty) Ltd	100%	100%	4 886	4 886	4 886	4 886
Ascendis Health Direct Nigeria Limited	100%	100%	-	-	-	-
Ascendis Health UK Ltd	100%	100%	-	-	-	-
Ascendis Health Pharma S.R.L. (Romania)	100%	100%	-	-	-	-
Ascendis Skin & Body (Pty) Ltd	100%	100%	0	0	0	0
Ascendis Sports Nutrition (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Supply Chain (Pty) Ltd	100%	100%	80 000	80 000	-	-
Ascendis Wellness S.R.L.	100%	100%	40 378	40 378	-	-
Bio Swiss (Pty) Ltd	100%	100%	-	-	-	-
Bolus Distribution (Pty) Ltd	100%	100%	18 015	18 015	-	-
Bolus International (Pty) Ltd	100%	100%	2 731	2 731	-	-
Chempure (Pty) Ltd *	100%	100%	57 492	83 210	57 492	83 210
Cytogen Sp Zoo (Poland)	100%	100%	16 914	16 914	-	-
Dealcor Forty (Pty) Ltd	100%	100%	50 200	50 200	-	-
Heritage Resources Ltd	100%	100%	-	-	-	-
HRL Health Remedies Ltd (Cyprus)	100%	100%	159 660	159 660	-	-
Integrative Health Publications (Pty) Ltd	100%	100%	0	0	-	-
Juniva (Pty) Ltd *	100%	100%	-	3	-	3
Kadent Ltd (Cyprus)	100%	100%	-	-	-	-
K2012021382 (South Africa) (Pty) Ltd [Swissgarde holdco]	100%	100%	26 106	19 602	26 106	19 602
K2012179211 (South Africa) (Pty) Ltd [Evox & Marltons holdco]	100%	100%	4 565	4 561	4 565	4 561
K2013197766 (Pty) Ltd [Ascendis Supply Chain properties]	100%	100%	3	3	3	3
K2013126193 (South Africa) (Pty) Ltd [Ascendis Supply Chain holdco]	100%	100%	-	0	-	-
Lavient Trading (Pty) Ltd *	100%	100%	-	50	-	50
Nimue Bioscience (Pty) Ltd	100%	100%	32 000	32 000	32 000	32 000
Nimue Distribution (Pty) Ltd	100%	100%	36 510	36 510	36 510	36 510
Nimue Skin (Southern Africa) (Pty) Ltd	100%	100%	0	0	0	0
Remedica IP Ltd	100%	100%	416 990	416 990	-	-
Scitec International S.a.r.l (LUX)	100%	100%	-	-	-	-
Scitec Ipari és Kereskeedelmi Kft (Hungary)	100%	100%	1 310 773	548 650	-	-
Scitec Nutrition UK	100%	100%	198	198	-	-

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
	2019	2018	2019	2018	2019	2018
CONSUMER HEALTH (continued)						
Scitec Sport- és Táplálkozástudományi Intézet (Hungary) *	100%	100%	-	0	-	-
Scitec USA Inc (USA)	100%	100%	0	0	-	-
Solal Africa Technologies Distributors (Pty) Ltd	100%	100%	0	0	-	-
Solal Technologies Fine Pharmaceuticals (Pty) Ltd	100%	100%	3	3	-	-
Southern African Academy of Healthy Aging and Integrative Medicine (Pty) Ltd	100%	100%	0	0	-	-
Sportron Properties (Pty) Ltd	100%	100%	6 249	6 249	6 249	6 249
Sportron International (Pty) Ltd (Namibia) *	100%	100%	-	4 886	-	-
Superwell-Hungary Kft	100%	100%	11 036	11 036	-	-
Swissgarde (Pty) Ltd *	100%	100%	-	6 503	-	6 503
The Compounding Pharmacy of South Africa (Pty) Ltd	100%	100%	4	4	-	-
The Integrative Medical Centre (Pty) Ltd	100%	100%	0	0	-	-
Toolworth Distribution (Pty) Ltd *	100%	100%	-	679	-	679
MEDICAL						
A-Med Medical Supplies (Pty) Ltd	49%	49%	0	0	-	-
Ascendis Medical Supplies (Pty) Ltd (Namibia)	100%	100%	-	-	-	-
Ascendis Medical (Pty) Ltd (Zambia)	100%	100%	-	-	-	-
Ascendis Medical (Pty) Ltd	100%	100%	303 754	303 754	-	-
Anti-Aging Technologies (Pty) Ltd	100%	100%	-	4	-	4
Lexshell 155 General Trading (Pty) Ltd	0%	100%	-	0	-	-
Lexshell 834 Investments (Pty) Ltd	100%	100%	24 000	24 000	-	-
RCA Pharma (Pty) Ltd	0%	100%	-	-	-	-
Respiratory Care Africa (Pty) Ltd	100%	100%	153 095	153 095	-	-
Respiratory Care Africa (Botswana) (Pty) Ltd	60%	60%	-	-	-	-
Surgical Innovations (Pty) Ltd	100%	100%	303 754	303 754	-	-
The Scientific Group (Pty) Ltd	100%	100%	328 963	328 963	-	-
Umecom (Pty) Ltd	100%	100%	15 815	15 815	-	-

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
	2019	2018	2019	2018	2019	2018
HEAD OFFICE						
Ascendis Financial Services (Pty) Ltd *	100%	100%	-	3	-	3
Ascendis Health International (Pty) Ltd	0%	100%	-	4	-	4
Ascendis Health International Holdings Ltd	100%	100%	16	16	16	16
Ascendis Management Services (Pty) Ltd *	100%	100%	-	4	-	4
Ascendis Pharma-Med (Pty) Ltd	100%	100%	-	-	-	-
Elixr Brands (Pty) Ltd *	100%	100%	-	39	-	39
Ascendis Health Spain Holdings SL	100%	100%	16	16	-	-
PHARMA						
Akacia Healthcare Holdings (Pty) Ltd	100%	100%	0	0	-	-
Akacia Healthcare (Pty) Ltd	100%	100%	367 590	367 590	-	-
Alliance Pharma (Pty) Ltd	100%	100%	0	0	-	-
Ascendis Pharma (Pty) Ltd *	100%	100%	-	143 303	-	-
Ascendis Pharma Holdings (Pty) Ltd	100%	100%	-	-	-	-
Biopharmaceutical Consulting (Pty) Ltd (South Africa) *	75%	75%	-	-	-	-
Brilata Ltd	100%	100%	2 318 485	2 318 485	-	-
Creative Design Concept (Spain)	70%	70%	-	-	-	-
Dealworth Ltd	100%	100%	30	30	-	-
Dentalcare Pharma Sl. (Spain)	100%	100%	-	-	-	-
Dezzo Trading 392 (Pty) Ltd	100%	100%	82 066	82 066	-	-
Enia Lipotech Sl. (Spain) *	74%	74%	-	42	-	-
Enol Pharmaceutical Research Sl.(Spain) *	100%	100%	-	-	-	-
Farmalider Truquia (Madrid)	100%	100%	1 309	1 309	-	-
Farmalider, S.A. (Spain)	49%	49%	2 277 050	2 277 050	-	-
Goldbond Trading and Investments Ltd	100%	100%	122 405	122 405	-	-
High Tech Vision Sl.(Spain) *	90%	90%	108	164	-	-
Innovazone Labs LLC (Spain)	60%	60%	45	-	-	-
Medicine Developers International (Pty) Ltd	100%	100%	0	0	-	-
Nutra Essential otc Sl. (Spain)	79%	79%	3 235	3 235	-	-
Pernbrook Ltd	100%	100%	3 460 296	3 460 296	-	-
Pharmachem Pharmaceuticals (Pty) Ltd	100%	100%	200	200	-	-
Pharmadyne Healthcare (Pty) Ltd	0%	100%	-	0	-	-
Remedica Holdings Ltd	100%	100%	-	-	-	-
Remedica Ltd	100%	100%	192 327	192 327	-	-
Toll Manufacturing Services S.l (Spain)	100%	100%	48	48	-	-
Vitalcare Pharma (Spain)	50%	50%	1 863	-	-	-

Appendix A: Interests in subsidiaries (continued)

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
	2019	2018	2019	2018	2019	2018
BIOSCIENCES						
Afrikelp (Pty) Ltd	100%	100%	210 055	210 055	-	-
Afrikelp Holdings (Pty) Ltd	100%	100%	-	-	-	-
Afrikelp Investments (Pty) Ltd	100%	100%	7 562	7 562	-	-
Agro-Serve (Pty) Ltd	100%	100%	5 348	5 348	-	-
Agro-Serve Namibia (Pty) Ltd	100%	100%	4	4	-	-
Akusa Inc. (USA)	100%	100%	551	551	-	-
Ascendis Biosciences (Pty) Ltd *	100%	100%	70 159	70 159	70 159	70 159
Avima (Pty) Ltd	100%	100%	54 821	54 821	-	-
Avima Uganda Ltd	100%	100%	4	4	-	-
Efekto Care (Pty) Ltd	100%	100%	457	457	-	-
Innovative Pest Management (Pty) Ltd	100%	100%	0	0	-	-
Klub M5 (Pty) Ltd	100%	100%	110 420	110 420	-	-
Marltons Pets and Products (Pty) Ltd	100%	100%	18 843	18 843	-	-
Ortus Chemicals (Pty) Ltd	100%	100%	22 414	22 414	-	-
Rotaq Luederitz (Pty) Ltd	0%	100%	-	223	-	-
Small Pack Solutions Specialists (Pty) Ltd	100%	100%	0	0	-	-
Taurus Chemicals Cape Kelp (Pty) Ltd	41%	41%	1 520	1 520	-	-
Taurus Chemicals Namibia (Pty) Ltd	0%	93%	-	477	-	-

** the investment value of these entities have been impaired in 2019*

Appendix B: Shareholders' information

Spread of ordinary shareholders	2019 Number of shares	2019 Percentage of shares	2018 Number of shares	2018 Percentage of shares
Public shareholders	396 377 687	81.0%	339 288 119	69.3%
Non-public shareholders				
- Directors and associates of the company	472 802	0.1%	7 756 286	1.6%
- Treasury shares (own holdings)	4 642 635	0.9%	3 970 635	0.8%
- Strategic holdings (more than 10%)	87 976 835	18.0%	138 454 919	28.3%
Total	**489 469 959**	**100.0%**	**489 469 959**	**100.0%**

Major beneficial shareholders holding 2% or more	2019 Number of shares	2019 Percentage of shares	2018 Number of shares	2018 Percentage of shares
Coast2Coast *	87 976 835	18.0%	138 454 919	28.3%
Government Employee Pension Fund	48 890 407	10.0%	35 210 163	7.2%
Kefolile Health Investments (Pty) Ltd	33 414 481	6.8%	33 414 481	6.8%
WDB Investments Holdings (Pty) Ltd	27 228 305	5.6%	25 318 760	5.2%
Mineworkers Investment Company	25 874 633	5.3%	22 250 435	4.5%
International Finance Corporation	18 207 462	3.7%	18 207 462	3.7%
GIC Private Limited	-	0.0%	12 020 443	2.5%

* 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.

Major fund managers managing 2% or more	2019 Number of shares	2019 Percentage of shares	2018 Number of shares	2018 Percentage of shares
Mergence Investment managers	35 002 907	7.2%	-	0.0%
Public Investment Corporation	21 596 334	4.4%	21 596 334	4.4%
Laurium Capital	21 314 938	4.4%	18 434 183	3.8%
Jupiter Asset Management	18 807 689	3.8%	16 959 349	3.5%
Blakeney Management	18 040 446	3.7%	18 698 971	3.8%
Sentio Capital Management	15 399 700	3.1%	17 715 659	3.6%
Old Mutual Investment Group	14 073 905	2.9%	9 841 034	2.0%
Mazi Capital	-	0.0%	12 243 911	2.5%
GIC Private Limited	-	0.0%	12 020 443	2.5%

Distribution of registered shareholdings	Number of shares	Percentage of shares	Number of shares	Percentage of shares
1 - 1 000	1 975	55.2%	542 175	0.1%
1 001 - 10 000	1 065	29.8%	3 793 783	0.8%
10 001 - 100 000	328	9.2%	10 529 077	2.2%
100 001 - 1 000 000	134	3.7%	53 017 530	10.8%
1 000 001 shares and over	73	2.0%	421 587 394	86.1%
	3 575	**100.0%**	**489 469 959**	**100.0%**

Company annual financial statements

For the year ended 30 June 2019

Ascendis HEALTH

Company statement of profit or loss and other comprehensive income

for the year ended 30 June 2019

	Notes	2019 R'000	2018 R'000
Revenue	11	156 800	194 234
Gross Profit		**156 800**	**194 234**
Other income	12	36 158	208 964
Net impairment on loans to subsidiaries and financial guarantee contracts	13	(2 266 704)	-
Other operating expenses	13	(202 512)	(130 730)
Operating (loss)/profit		**(2 276 258)**	**272 468**
Finance income	14	1 765	7 647
Finance expenses	14	(10 674)	(3 041)
(Loss)/profit before taxation		**(2 285 167)**	**277 074**
Taxation	15	(13 983)	-
(Loss)/profit for the year		**(2 299 150)**	**277 074**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**(2 299 150)**	**277 074**

Company statement of financial position

at 30 June 2019

	Notes	2019 R'000	2018 R'000
Investments in subsidiaries	2	922 551	1 106 264
Non-current assets		**922 551**	**1 106 264**
Loans to related parties	3	3 586 656	5 289 742
Current tax receivable	10	-	70
Trade and other receivables	8	4	332
Cash and cash equivalents	4	621	706
Current assets		**3 587 281**	**5 290 850**
TOTAL ASSETS		**4 509 832**	**6 397 114**
Stated capital	9	6 136 358	6 136 358
(Accumulated loss)/retained income		(2 323 222)	11 703
Equity		**3 813 136**	**6 148 061**
Deferred vendor liability	6	-	116 571
Non-current liabilities		**-**	**116 571**
Financial guarantee liability	5	570 047	-
Trade and other payables	7	10 604	407
Loans from related parties	3	16 744	24 738
Deferred vendor liability	6	99 301	107 337
Current liabilities		**696 696**	**132 482**
TOTAL EQUITY AND LIABILITIES		**4 509 832**	**6 397 114**

Company statement of changes in equity
for the year ended 30 June 2019

R'000	Notes	Stated capital	Accumulated (loss)/retained income	Total equity
Balance as at 1 July 2017		**5 097 241**	**(265 371)**	**4 831 870**
Profit for the year		-	277 074	**277 074**
Total comprehensive income for the year		-	**277 074**	**277 074**
Issue of ordinary shares		1 040 505	-	**1 040 505**
Listing fees		(1 388)	-	**(1 388)**
Total contributions by and distributions to owners of the company recognised directly in equity		**1 039 117**	**-**	**1 039 117**
Balance as at 30 June 2018		**6 136 358**	**11 703**	**6 148 061**
IFRS 9 adjustment		-	(35 775)	**(35 775)**
Adjusted opening balance as at 30 June 2018		**6 136 358**	**(24 072)**	**6 112 286**
Loss for the year		-	(2 299 150)	**(2 299 150)**
Total comprehensive loss for the year		**-**	**(2 299 150)**	**(2 299 150)**
Balance as at 30 June 2019	**9**	**6 136 358**	**(2 323 222)**	**3 813 136**

Company cash flow statement

for the year ended 30 June 2019

	Notes	2019 R'000	2018 R'000
Cash flows from operating activities	17	163 215	551 934
Interest income received	14	1 765	7 647
Finance costs paid	14	(370)	(3 041)
Profit on exchange differences realised	12	247	34
Loss on exchange differences realised	13	(88)	(19)
Net cash inflow from operating activities		**164 769**	**556 555**
Cash flows from investing activities			
Loans advanced to related parties	3	(331 043)	(1 242 028)
Repayment of loans advanced to related parties	3	287 783	-
Increase in investments in subsidiaries		(15 337)	(320 151)
Proceeds from disposal of subsidiaries		737	-
Repayment of deferred vendor liability	6	(99 000)	-
Net cash outflow from investing activities		**(156 860)**	**(1 562 179)**
Cash flows from financing activities			
Loans received from related parties	3	82 149	12 308
Proceeds from issue of shares	9	-	1 039 117
Repayment of loans received from related parties	3	(90 143)	(45 916)
Net cash (outflow)/inflow from financing activities		**(7 994)**	**1 005 509**
Net decrease in cash and cash equivalents		**(85)**	**(115)**
Cash and cash equivalents at beginning of year		706	821
Cash and cash equivalents at end of year	4	**621**	**706**

Accounting policies

Basis of preparation

The financial statements for Ascendis Health Limited have been prepared in accordance with applicable International Financial Reporting Standards (IFRS).

The company adopted IFRS 9 *Financial instruments* (IFRS 9) that became effective in the current accounting period. Refer to note 1 for details of change in accounting policies and the impact on the financial statements.

The annual financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value.

Principal accounting policies

The principal accounting policies applied by the company are the same as those presented in the consolidated group financial statements, to the extent that the group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to the company financial statements are those relating to consolidation accounting and the recognition and subsequent measurement of goodwill.

The accounting policies, which are additional to those applied by the group, are stated as follows:

Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment.

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

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

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Any potential impairment is determined on a basis consistent with the accounting policy on the impairment of goodwill as presented in the consolidated group financial statements (see note 10).

Stated capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1. Change in accounting policy

Adoption of IFRS 9

The company adopted IFRS 9 on 01 July 2018, without restating comparative information. The company also adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosure*. Accordingly, information relating to 30 June 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39 Financial Instruments: Recognition and Measurement.

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

- Recognition of the expected credit loss allowance on the financial guarantees.
- Recognition of the expected credit loss allowance on loans to related parties.

Financial guarantee liability

The company has issued financial guarantees over the group borrowing facility. IFRS 9 adoption requires the recognition of financial guarantees based on the value of the expected credit losses.

The impact on financial statements is as follows:

Impact on retained earnings

The company was required to revise its impairment methodology under IFRS 9. The adjustment to opening retained earnings for the transition to the expected credit loss model (impairment of loans receivable) as at 01 July 2018 is as follows:

	30 June 2019 Audited R'000
Increase in provision for expected credit losses	49 688
Attributable deferred tax	(13 913)
Impact on retained earnings	**35 775**

1. Change in accounting policy (continued)

Classification, initial recognition and subsequent measurement

Loans to related parties and financial guarantee liabilities

The company applies the IFRS 9 general approach to measuring expected credit losses which uses a 12-month expected loss allowance for all loans receivable and financial guarantees individually. ECLs are calculated by applying a loss ratio to the balance of each loan and guarantee at each reporting date. The loss ratio for loans is calculated according to the ageing/payment profile of loans by applying historic write-offs to the payment profile of the loan population. The loss ratio for guarantees is calculated according to the past history of drawdowns on the financial guarantee contract population. The historic loss ratio is then adjusted for forward looking information to determine the ECL for each loan and guarantee at the reporting period to the extent that there is strong correlation between forward looking information and the ECL. To calculate an ECL, management allocates a risk rating to each loan and guarantee. The risk rating as assigned an average cumulative default rate, based on management assessing market related default rates for emerging markets. This rate is added to the historical loss ratio to determine the ECL of the relevant loan or guarantee.

Critical accounting judgements and assumptions

The ECL for financial assets is based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the input to the impairment calculation, based on the company's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

Refer to note 33 financial instruments on the group financial statements for the change in accounting policy for other categories of financial assets.

Adoption of IFRS 15

The revenue stream of the company consists of dividend revenue. Due to the dividend revenue not being considered as revenue from contracts with customers, the adoption of IFRS 15 did not have a material impact on the company. Consequently, no adjustments were made to the amounts previously disclosed.

2. Investments in subsidiaries

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

Name of subsidiary	CGU	2019 % of shares	2018 % of shares	2019 R'000 Investment value	2018 R'000 Investment value
Ascendis Financial Services Ltd	Head Office	100%	100%	-	3
Ascendis Management Services (Pty) Ltd	Head Office	100%	100%	-	4
Chempure (Pty) Ltd	Chempure	100%	100%	57 492	83 210
Nimue Distribution (Pty) Ltd	Ascendis Skin & Body	100%	100%	36 510	36 510
Ascendis Skin & Body (Pty) Ltd	Ascendis Skin & Body	100%	100%	0	0
Ascendis Sports Nutrition (Pty) Ltd	Sports Nutrition	100%	100%	-	-
K2012179240 South Africa (Pty) Ltd	Head Office	100%	100%	-	3
Regal Nutrients (Pty) Ltd	Ascendis Consumer	0%	100%	-	-
Ascendis Health Direct (Pty) Ltd	Direct Selling	100%	100%	4 886	4 886
Sportron Properties (Pty) Ltd	Direct Selling	100%	100%	6 249	6 249
Sportron International (Pty) Ltd Namibia	Direct Selling	100%	100%	-	-
Ascendis Health International Holdings (Pty) Ltd	Head Office	100%	100%	16	16
Ascendis Biosciences (Pty) Ltd	Head Office	100%	100%	70 159	70 159
Swissgarde (Pty) Ltd	Direct Selling	100%	100%	-	6 503
K2012021382 South Africa (Pty) Ltd	Direct Selling	100%	100%	26 106	19 602
K2012179211 South Africa (Pty) Ltd	Ascendis Consumer	100%	100%	4 565	4 561
Atka Trading 46 (Pty) Ltd	Ascendis Consumer	0%	100%	-	-
Elixr Brands (Pty) Ltd	Head Office	100%	100%	-	39
Heritage Resources Ltd	Direct Selling	100%	100%	-	-
Ascendis Pharma Holdings (Pty) Ltd*	Ascendis Pharma	100%	100%	-	143 303
Ascendis Pharma-Med (Pty) Ltd	Ascendis Pharma	100%	100%	-	-
Juniva (Pty) Ltd	Sports Nutrition	100%	100%	-	3
Ascendis Consumer Brands (Pty) Ltd	Ascendis Consumer	100%	100%	4	4
Anti-Ageing Technologies (Pty) Ltd	Ascendis Skin & Body	100%	100%	-	4
Ascendis Medical (Pty) Ltd	Respiratory Care Africa	100%	100%	303 754	303 754
K2013197766 South Africa (Pty) Ltd	Chempure	100%	100%	3	3
Ascendis Health International (Pty) Ltd	Ascendis Pharma	0%	100%	-	4
Lavient Trading (Pty) Ltd	Head Office	100%	100%	-	50
Nimue Bioscience (Pty) Ltd	Ascendis Skin & Body	100%	100%	32 000	32 000
Nimue Skin (Southern Africa) (Pty) Ltd	Ascendis Skin & Body	100%	100%	-	-
Toolworth Distribution (Pty) Ltd	Direct Selling	100%	100%	-	679
Ascendis Health Australia Ltd	Sports Nutrition	100%	100%	-	13 908
Kyron Laboratories (Pty) Ltd	Kyron	100%	100%	380 807	380 807
Total				**922 551**	**1 106 264**

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

- The fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus

- Any costs directly attributable to the purchase of the subsidiary.

2. Investments in subsidiaries (continued)

The investment value has decreased due to impairments recognised of R198,3 million (2018: R74,6 million). The impairment of investments in subsidiaries has been determined using the same methods and assumptions for group CGU's as presented in the consolidated group financial statements (see note 10). Some entities were disposed during the year under review resulting in the decrease of the investment value. There was an increase in the cost of investment in specific subsidiaries due to the transfer of cost of investment from the holding company to the relevant subsidiaries.

3. Loans to/(from) related parties

Loans receivable	2019 R'000	2018 R'000
Ascendis Financial Services Ltd	1 330 074	1 535 632
Ascendis Management Services (Pty) Ltd	18 415	-
Avima (Pty) Ltd	81 607	91 463
Chempure (Pty) Ltd	18 080	30 008
Ascendis Biosciences (Pty) Ltd	9 213	10 326
Dealcor Forty (Pty) Ltd	160	-
Elixr Brands (Pty) Ltd	7 861	9 425
K2012021382 (South Africa) (Pty) Ltd	-	11 776
Ascendis Pharma Holdings (Pty) Ltd	19 163	22 308
Ascendis Pharma-Med (Pty) Ltd	3	-
K2012179211 (South Africa) (Pty) Ltd	1 679	1 882
Bolus International (Pty) Ltd	-	393
K2013126193 (South Africa) (Pty) Ltd	35 489	62 152
K2013126231 (South Africa)(Pty) Ltd	-	3
Ascendis Consumer Brands (Pty) Ltd	22 891	25 656
The Compounding Pharmacy of South Africa (Pty) Ltd	15	17
Ascendis Medical (Pty) Ltd	5 461	6 120
K2013197766 (South Africa) (Pty) Ltd	36 582	41 000
Ascendis Health International (Pty) Ltd	-	55
Marltons Pets & Products (Pty) Ltd	2 687	3 000
Ascendis Skin & Body (Pty) Ltd	628	889
Pharmachem Pharmaceuticals (Pty) Ltd	23 657	35 473
Respiratory Care Africa (Pty) Ltd	8 714	9 766
The Scientific Group (Pty) Ltd	100 518	127 706
Scitec kft (HUN)	71 477	4 972
Ascendis Health International Holdings Ltd	1 738 633	3 199 720
Kyron Laboratories (Pty) Ltd	53 649	60 000
	3 586 656	**5 289 742**

Loans to subsidiaries:	2019 R'000	2018 R'000
As at 1 July	5 289 742	4 047 713
IFR9 9 impairment adjustment	(49 689)	-
Adjusted opening balance as at 1 July	5 240 053	4 047 713
Loans advanced during the year	330 118	1 242 029
Interest	925	-
Loans repaid during the year	(287 783)	-
Net impairment of loans to subsidiaries	(1 696 657)	-
As at 30 June	**3 586 656**	**5 289 742**

3. Loans to/(from) related parties (continued)

The company's loans to its subsidiaries have no fixed repayments terms and bear no interest, except for the Scitec kft loan that bears interest at 4%. The fair value of the loans to the subsidiaries of the company is assessed as the face value of the amounts receivable on demand.

Loans payable	2019 R'000	2018 R'000
Ascendis Management Services (Pty) Ltd	-	7 994
Dezzo Trading 392 (Pty) Ltd	2 195	2 195
Nimue Skin (Pty) Ltd	2 241	2 241
Kyron Laboratories (Pty) Ltd	12 308	12 308
	16 744	**24 738**

The loans are unsecured, bear no interest and have no fixed terms of repayment.

Loans from related parties movement:	2019 R'000	2018 R'000
As at 1 July	24 738	58 346
Loans advanced during the year	82 149	12 308
Loans repaid during the year	(90 143)	(45 916)
As at 30 June	**16 744**	**24 738**

4. Cash and cash equivalents

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

Cash and cash equivalents consists of:	2019 R'000	2018 R'000
Bank current account	469	554
Bank call account	2	2
Bank CFD accounts	150	150
Cash and cash equivalents per the cash flow statement	**621**	**706**

5. Financial guarantee contracts

In term of new standard on financial instruments, IFRS 9, the company is required to recognise financial guarantee contracts in relation to financial guarantee contracts where the company is a guarantor. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument.

5. Financial guarantee contracts (continued)

Financial guarantee contracts issued by the company are initially measured at their fair value and are subsequently measured at the higher of:

- The expected credit loss (ECL) in accordance with IFRS 9; or
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IFRS 15.

The ECLs are a probability weighted estimate of credit losses (the cash shortfalls) over the expected life of the guarantee. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the company expects to receive from the holder, debtor or any other party.

The following formula was used to determine the ECL: Exposure at Default x Probability of Default (PD) and Loss Given Default (LGD). The PD has been determined using Moody's CreditEdge model. The model is an adapted Merton type model which takes market data into account. An implied rating of Caa3 which was measured by CreditEdge was used. LGD was measured LGD using Moody's RiskCalc LGD module assuming a default with a post default recovery methodology. The ECL% is calculated at 10.7%.

The company along with other subsidiaries has jointly and severally guaranteed the Ascendis group borrowing facilities recorded in Ascendis Financial Services (Pty) Ltd, Ascendis Health International Holdings Ltd, Scitec kft and Remedica Ltd. Under the terms of the guarantee, the company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due. Refer to note 19 of the group financial statements for further details with regards to the borrowing facilities with face values disclosed below:

Face Value	2019 R'000	2018 R'000
Term loan - European debt	2 610 319	2 809 065
Term loan - South African debt	1 346 571	1 431 627
Revolving credit facility	763 500	783 253
Short-term loans with financial institutions	360 397	-
	5 080 787	**5 023 945**

The company's financial liability relating to financial guarantee contracts amounts to:

	2019 R'000	2018 R'000
Financial guarantee liability	570 047	-
	570 047	**-**

6. Deferred vendor liabilities

Refer to note 20 of the group financial statements for the applicable accounting policy relating to deferred vendor liabilities.

	2019 R'000	2018 R'000
Kyron Laboratories	99 301	223 908
Current	99 301	107 337
Non-current	-	116 571
	99 301	223 908
Deferred consideration	**99 301**	223 908

The company acquired **Kyron Laboratories (Pty) Ltd** on 1 March 2018. The remaining purchase consideration consists of a deferred and a contingent portion.

- R100 million deferred consideration which was paid in August 2018 with a discount of R1 million;
- R7.3 million contingent consideration, payable after 1 year if the performance target for a specific division for the period is achieved, the performance target was not met hence the amount was not paid;
- R110.6 million deferred consideration, payable after 18 months. The fair value of the remaining consideration was determined to be R98.8 million as at 30 June 2019, fair value gain of R9.8 million was recognised in the statement of profit or loss.
- R22.0 million contingent consideration, payable after 2 years if the performance target for a specific division for the period is achieved. The fair value of the contingent consideration was determined to be R0.6 million as at 30 June 2019, fair value gain of R17.8 million was recognised in the statement of profit or loss.

7. Trade and other payables

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

	2019 R'000	2018 R'000
Trade payables	7 490	-
Dividends payable	757	407
Accrued expenses (1)	2 357	-
	10 604	**407**

(1) Accrued expenses comprise of audit fees and project costs.

8. Trade and other receivables

Trade receivables are initially measured at the transaction price and subsequently measured at amortised cost.

	2019 R'000	2018 R'000
Trade receivables	4	332
	4	**332**

9. Stated capital

	2019 R'000	2018 R'000
Opening balance	6 136 358	5 097 241
Issue of ordinary shares	-	1 040 505
Listing fees capitalised to Stated Capital	-	(1 388)
Closing balance	**6 136 358**	**6 136 358**

Number of shares	2019 R'000	2018 R'000
Authorised shares	2 000 000	2 000 000
Reconciliation of number of shares in issue:		
Ordinary shares - opening balance	484 875	431 344
Issued during the year	-	53 531
Ordinary shares - closing balance	**484 875**	**484 875**

10. Tax paid

	2019 R'000	2018 R'000
Balance at the beginning of the year	70	70
Current tax for the year recognised in profit and loss	(70)	-
Balance at the end of the year	**-**	**70**

11. Revenue

The company generates revenue through dividends received. Revenue is recognised when the right to receive payment is established.

	2019 R'000	2018 R'000
Dividends received	156 800	194 234
	156 800	**194 234**

12. Other income

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

	2019 R'000	2018 R'000
Remeasurement gains of deferred vendor liabilities	35 911	-
Once-off income [(1)]	-	208 930
Profit on exchange differences	247	34
	36 158	**208 964**

[(1)] Once-off income comprise of revaluation gains of foreign related parties loans and business combination transaction costs.

13. Operating expenses

	2019 R'000	2018 R'000
Audit fees	(101)	-
Bank charges	(54)	(163)
Loss on exchange differences	(88)	(19)
Write off costs	(350)	-
Project costs	(3 605)	-
Impairment of investments	(198 310)	(74 564)
Loss on investment disposal	(4)	(55 984)
Net impairment on loans to subsidiaries and financial gurantee contracts	(2 266 704)	-
	(2 469 216)	**(130 730)**
Net impairment on loans to subsidiaries	(2 266 704)	-
Other operating expenses	(202 512)	(130 730)
	(2 469 216)	**(130 730)**

14. Finance income and costs

	2019 R'000	2018 R'000
Finance costs		
Interest on deferred vendor liability	(10 304)	-
Interest expense on bank	(370)	(3 041)
Total finance cost	**(10 674)**	**(3 041)**
Finance income		
Interest received on bank	840	7 647
Intercompany interest income	925	-
Total finance income	**1 765**	**7 647**
Net finance	**(8 909)**	**4 606**

15. Income tax expense

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

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

Major components of the tax expense

	2019 R'000	2018 [1] R'000
Current Tax		
Recognised in current tax for prior years	70	-
	70	**-**
Deferred		
Current deferred tax charge	13 913	-
	13 913	**-**
Income tax expense	**13 983**	**-**
Tax at the South Africa tax rate	**28.00%**	**28.00%**
Exempt dividend income	1.92%	-19.63%
Other exempt income	0.34%	-14.28%
Other disallowable charges-Impairment of investments/loans	-26.50%	0.00%
Other disallowable charges-capital gains	0.00%	5.66%
Effect of prior year	1.12%	0.00%
Limitation of deferred tax asset	-5.49%	0.25%
Average effective tax rate	**-0.61%**	**0.00%**

[1] 2018 tax rate reconciliation has been restated to reflect the correct effective tax rate as at 30 June 2018.

16. Deferred tax

Deferred tax is recognised in accordance with the accounting policy disclosed in note 15.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (where applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. Management is required to make significant estimates in assessing whether future taxable profits will be available.

Deferred tax is reviewed at each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

16. Deferred tax (continued)

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

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

	2019 R'000	2018 R'000
Deferred tax liability		
Prepaid expenses	-	-
Total deferred tax liability	**-**	**-**
Deferred tax asset		
Provisions (to be recovered within 12 months)	83 902	-
Provision for impairment of financial assets	13 913	-
Estimated tax loss	27 703	27 636
Current year limitation of deferred tax asset	(125 518)	(27 636)
Total deferred tax asset	**-**	**-**
Deferred tax asset / (liability)		
Deferred tax liability	-	-
Deferred tax asset	-	-
Total net deferred tax asset (to be recovered within 12 months)	-	-

17. Cash flow from operating activities

	2019 R'000	2018 R'000
(Loss)/profit before taxation	(2 285 167)	277 074
Adjustments for:		
Net finance cost	8 909	(4 606)
Foreign exchange differences	(159)	(15)
Fair value adjustment on financial guarantee liability	570 047	-
Loss on investment disposal	4	55 983
Impairment of investments	198 310	74 564
Remeasurement of deferred vendor liability	(35 911)	223 908
Net impairment on loans to subsidiaries	1 696 657	-
Fair value gain of foreign related parties loans	-	(74 564)
Changes in working capital:		
Decrease/(Increase) in trade and other receivables	328	(332)
Increase/(decrease) in trade and other payables	10 197	(78)
Cash generated from operations	**163 215**	**551 934**

18. Financial risk management

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

Refer to note 33 of the group financial statements for the applicable policy and the adoption of IFRS 9 and IFRS 7.

Categories of financial instruments **2019**	**Amortised cost** **R'000**	**Total carrying amount** **R'000**
Financial assets		
Loans to related parties	3 586 656	3 586 656
Trade and other receivables	4	4
Cash and cash equivalents	621	621
	3 587 281	**3 587 281**
Financial liabilities		
Deferred vendor liability	99 301	99 301
Financial guarantee liability	570 047	570 047
Loans from related parties	16 744	16 744
Trade and other payables	8 247	8 247
	694 339	**694 339**

2018	**R'000**	**R'000**
Financial assets		
Loans to related parties	5 289 742	5 289 742
Trade and other receivables	332	332
Cash and cash equivalents	706	706
	5 290 780	**5 290 780**
Financial liabilities		
Deferred vendor liability	223 908	223 908
Loans from related parties	24 738	24 738
Trade and other payables	407	407
	249 053	**249 053**

18. Financial risk management (continued)

Liquidity risk

Refer to Note 33.3 of the group financial statements for an explanation on liquidity risk and how it is managed.

2019	3 months R'000	3 months - 1 year R'000	1 and 2 years R'000	2 and 5 years R'000	Over 5 years R'000	Total R'000
Deferred vendor liabilities	–	99 301	–	–	–	99 301
Financial guarantee liability	570 047	–	–	–	–	570 047
Loans from related parties	16 744	–	–	–	–	16 744
Trade and other payables	8 247	–	–	–	–	8 247
Total	**595 038**	**99 301**	**–**	**–**	**–**	**694 339**

2018	3 months R'000	3 months - 1 year R'000	1 and 2 years R'000	2 and 5 years R'000	Over 5 years R'000	Total R'000
Deferred vendor liabilities	100 000	7 337	116 571	–	–	223 908
Loans from related parties	24 738	–	–	–	–	24 738
Trade and other payables	407	–	–	–	–	407
Total	**125 145**	**7 337**	**116 571**	**–**	**–**	**249 053**

Credit risk

Refer to Note 33.4 of the group financial statements for an explanation on credit risk and how it is managed.

	2019 R'000	2018 R'000
The company is exposed to the following financial assets:		
Loans to related parties	3 586 656	5 289 742
Trade and other receivables	4	332
Cash and cash equivalents	621	706
	3 587 281	**5 290 780**

Credit risk is mitigated to the extent that the majority of receivables consist of related party receivables.

The company is also exposed to the group debt facility which it guarantees, the face value of the facility as at year end is R5 081 million (2018: R5 024 million). Refer to note 5 for further details regarding financial guarantee contracts.

Impairment of loans from related parties

The loans from related parties were valued based on the risk of the counterparty on the comprehensive method.

PD and LGD was measured uding Moody's Analytics RiskCalc's respective PD and LGD modules (RiskCalc South Africa version 3,2 and LossCalc version 4,0)

Moody's RiskCalc solution compares company financial information to an extensive database of company financial and default information.

The inputs to this calculation are historical audited financial statements of the related counterparties. The output was the historic PD and LGD.

18. Financial risk management (continued)

This was then converted from 'Through The Cycle' (TTC) to 'Point in Time' (PIT) measures using Moody's Analytics ImpairmentCal product.

The measures are conditioned on the database based on the historic South African macro-economic data and then calculated a forward looking ECL using macroeconomic forecasts with a probability weighted avarege of Moody's Analytics' economic forecasts and scenarios. Average ECL percentage of 12.6% was applied in 2019.

There has been a significant increase in the credit risk of the loans receivables since 1 July 2018 i.e. from stage 1 to stage 2. This is as a result of the significant decrease in operating results for the group as a whole as all the creditor payments are managed centrally by the group's treasury function. In addition, there is doubt on whether the group as a whole will be able to grow margins within the next financial year.

The company defines default as an event of default when information developed internally indicates that the debtor is unlikely to pay its creditors in full.

The company applies the following credit risk grading:
Stage 1 - applies when the counterparty has a low risk of default and does not have any past-due amounts. 12-month ECL is used as basis for recognising ECL;
Stage 2 - applies when the receivable is more than 30 days past due or when there has been significant increase in credit risk since initial recognition. The receivable is not credit-impaired and lifetime ECL is used as basis for recognising ECL; and
Stage 3 - applies when the receivable is 90 days past due or when there is evidence indicating that the receivable is credit impaired. The receivable is credit-impaired and lifetime ECL is used as basis for recognising ECL;

2019	**Gross R'000**	**ECL R'000**	**Net R'000**
Loans from related parties	5 314 914	(1 728 258)	3 586 656
1 July 2018			
Loans from related parties	5 289 742	(35 775)	5 253 967

The opening to closing in allowances for loans from related parties as at 30 June 2019 is as follows.

	2019 R'000
Amounts restated to opening retained earnings	**35 775**
Opening loss allwance as at 1 July 2018 - calculated under IFRS 9	35 775
Increase in loss allowance - not credit-impaired (Stage 2)	1 688 310
Amount written off as uncollectible (derecognised)	4 173
As at 30 June	**1 728 258**

Impairment of trade and other receivables

The credit risk in relation to trade and other receivables is considered insignificant, therefore, no ECL is recognised.

Cash and cash equivalents

The credit ratings of the financial institution with whom the company holds its bank accounts is as follows:

Financial institution	**Rating**
Standard Bank South Africa	BBB-

Interest rate risk

The company is not exposed to interest rate risk as it currently does not have any external debt instruments.

18. Financial risk management (continued)

Capital risk management

The company is not significantly exposed to capital risk. Refer to note 33.7 of the group financial statements for the applicable policy on capital risk management.

Foreign exchange risk

The company is not significantly exposed to foreign exchange risk because the majority of foreign denominated balances arises from related party transactions.

Administration

Country of Incorporation and domicile	South Africa
Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
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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	A Sims CA (SA) andy.sims@ascendishealth.com
Directors	AB Marshall (Chairman)* B Harie# MS Bomela* Dr KS Pather* Dr NY Jekwa* J Sebulela* MJ Sardi (CEO) K Futter (CFO) ** Independent non-executive* *# Lead independent non-executive*

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