Audited Summarised Financial Results

For the year ended
30 June 2019

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Key features

Revenue up 1% to R5.6 billion

Impairment charge of R4.2 billion

Normalised operating profit R58 million (2018: R514 million)

Normalised loss after tax for continued operations R459 million (2018: profit of R93 million)

Normalised HEPS for continued operations (99.9) cps (2018: 21.7 cps)

Remedica negotiations with preferred bidder at an advanced stage

Commentary

Overview

The company and its subsidiaries ("the group") experienced an extremely challenging year, particularly in the second half, which is reflected in the poor financial and operational performance. The results were impacted by the tough macroeconomic and consumer environment in South Africa, liquidity constraints and related supply challenges, higher operating expenses and further once-off costs totalling R120 million.

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

Remedica, the group's pharmaceutical business in Cyprus, the Biosciences division, Ascendis Sports Nutrition SA and Ascendis Direct Selling have been classified as discontinued operations and are therefore not included in the group's results.

Financial performance

The group is reporting normalised results from continuing operations which have been adjusted for once-off transaction-related and restructuring costs in the current and prior reporting period.

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

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

Operating expenses grew by 19%, excluding once-off transaction and restructuring costs of R120 million. These costs related mainly to the restructuring of the group's debt, the proposed bond issue which was not launched, disposal costs for Biosciences and Remedica, and restructuring and retrenchment costs.

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

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

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

At year end cash and cash equivalents totalled R265 million. The group invested R392 million in capital expenditure and settled vendor liabilities of R230 million. The sale of non-core businesses generated R158 million. No dividend has been declared.

Segmental performance

Continuing operations	Consumer Health	Pharma	Medical	Animal Health
Revenue	R2 620m	R1 212m	R1 268m	R467m
Revenue growth	5%	(8%)	(5%)	28%
EBITDA	R194m	R74m	R96m	R81m
EBITDA growth	(49%)	(44%)	(70%)	20%

Disposals

The Efekto, Marltons and Afrikelp businesses, which form part of the Biosciences division, were sold for R480 million with effect from 31 July 2019. The remaining businesses within Biosciences, Avima and Klub M5, are being considered for divestment.

Shareholders are advised that 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.

Annual General Meeting

The seventh annual general meeting of the shareholders of the company will be held at 9:00 on Wednesday, 5 February 2020 at Ground Floor, Ascendis Building, 31 Georgian Crescent East, Bryanston, Gauteng, 2191.

Focus areas

The immediate priorities of the management team under the leadership of new CEO Mark Sardi, who joined the group on 14 October 2019, will be on completing the Remedica disposal, following a ‘fix the basics’ strategy to turn around the group’s performance and creating an efficient capital structure post the Remedica sale.

In the months ahead the group will focus on revenue growth, cost control, cash and working capital management, while restoring investor confidence following the disappointing performance in 2019.

The group’s strategy will be reviewed and revised once the disposals have been completed and the business is financially stable with sustainable growth prospects.

The group has made a strong start to the 2020 financial year, recording revenue growth of 13% for the first 14 weeks of the new year.

MJ Sardi
Chief Executive Officer

K Futter
Chief Financial Officer

Johannesburg
30 October 2019

Summarised group statement of profit or loss and other comprehensive income

for the year ended 30 June 2019

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

Summarised group statement of financial position
at 30 June 2019

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

Summarised group statement of changes in equity

for the year ended 30 June 2019

R'000	Stated capital	Foreign translation reserve	Revaluation reserve	Hedging reserve	Put-option non-controlling interest reserve	Other reserves	Retained Income	Total attributable to equity holders of the group	Non-controlling interest	Total Equity
Balance as at 1 July 2017	**5 447 899**	**(210 323)**	**15 848**	**(10 155)**	**(111 794)**	**(465 664)**	**475 645**	**5 141 456**	**154 886**	**5 296 342**
Profit for the year (Restated)	-	-	-	-	-	-	257 293	**257 293**	24 984	282 277
Other comprehensive income	-	135 467	(4 196)	4 495	-	-	-	**135 766**	(6 543)	129 223
Total comprehensive income for the year	**-**	**135 467**	**(4 196)**	**4 495**	**-**	**-**	**257 293**	**393 059**	**18 441**	**411 500**
Issue of ordinary shares	1 040 505	-	-	-	-	-	-	1 040 505	-	1 040 505
Raising fees capitalised	(1 388)	-	-	-	-	-	-	(1 388)	-	(1 388)
Net movement of treasury shares	25 914	-	-	-	-	-	-	25 914	-	25 914
Dividends	-	-	-	-	-	-	-	-	(7 879)	(7 879)
Foreign currency translation reserve	-	-	(141)	-	(2 856)	9 625	-	6 628	2 609	9 237
Acquisition of non-controlling interest	-	-	-	-	-	(667)	-	(667)	667	-
Statutory reserve: Farmalider allocation to reserve[(1)]	-	-	-	-	-	14 136	(6 927)	7 209	(7 209)	-
Total contributions by and distributions to owners of the Group recognised directly in equity	**1 065 031**	**-**	**(141)**	**-**	**(2 856)**	**23 094**	**(6 927)**	**1 078 201**	**(11 812)**	**1 066 389**
Balance as at 30 June 2018 (Restated)	**6 512 930**	**(74 856)**	**11 511**	**(5 660)**	**(114 650)**	**(442 570)**	**726 011**	**6 612 716**	**161 515**	**6 774 231**
IFRS 9 adjustment	-	-	-	-	-	-	(23 025)	(23 025)	-	(23 025)
IFRS 15 adjustment	-	-	-	-	-	-	(11 073)	(11 073)	-	(11 073)
Adjusted opening balance as at 30 June 2018	**6 512 930**	**(74 856)**	**11 511**	**(5 660)**	**(114 650)**	**(442 570)**	**691 913**	**6 578 618**	**161 515**	**6 740 133**
Loss for the year	-	-	-	-	-	-	(4 670 386)	(4 670 386)	10 579	(4 659 807)
Other comprehensive income	-	71 208	5 941	3 445	-	-	-	80 594	(10 072)	70 522
Total comprehensive income for the year	**-**	**71 208**	**5 941**	**3 445**	**-**	**-**	**(4 670 386)**	**(4 589 792)**	**507**	**(4 589 285)**
Net movement in treasury shares	(5 401)	-	-	-	-	-	-	(5 401)	-	(5 401)
Dividends	-	-	-	-	-	-	-	-	(13 211)	(13 211)
Foreign currency translation reserve	-	-	10	-	243	(175)	-	78	-	78
Reclassification of reserves into retained earnings	-	-	-	-	-	518	(518)	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(1 717)	(1 717)
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	25	25
Statutory reserve: Farmalider allocation to reserve[(1)]	-	-	-	-	-	(42 300)	20 726	(21 574)	21 574	-
Total contributions by and distributions to owners of the Group recognised directly in equity	**(5 401)**	**-**	**10**	**-**	**243**	**(41 957)**	**20 208**	**(26 897)**	**6 671**	**(20 226)**
Balance as at 30 June 2019	**6 507 529**	**(3 648)**	**17 462**	**(2 215)**	**(114 407)**	**(484 527)**	**(3 958 265)**	**1 961 929**	**168 693**	**2 130 622**

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

Summarised group cash flow statement

for the year ended 30 June 2019

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

Basis of preparation
for the year ended 30 June 2019

Corporate information

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

Basis of preparation

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

The summarised group financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2018, which have been prepared in accordance with the IFRS.

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

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

The summarised group financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments and land and buildings at fair value and assets held for sale that are measured at fair value less cost to sell. The financial statements are prepared on the going concern basis using accrual accounting.

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

Principal Accounting Policies

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

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

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

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

Restatements

Restatements for the year ended 30 June 2018:

Discontinued operations

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

Segment reporting

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

Normalised headline earnings per share

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

Prior period errors

Prior period errors for the year ended 30 June 2018:

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

Demo equipment reclassification

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

Section 23N limitation of interest

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

Prior period errors (continued)

Farmalider statutory audit adjustments

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

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

Goodwill and intangible assets reclassification

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

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

Headline earnings per share

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

The impact of the restatements are set out below:

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

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)

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)

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)

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

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

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

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

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

Solvency and Liquidity position at 30 June 2019

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

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

Conclusion

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

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

Critical accounting judgements, estimates and assumptions

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

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

Significant estimates and judgements:

Key estimates

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

Accounting judgements

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

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

IFRS 16 *Leases* (IFRS 16)

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

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

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 12 for more details on discontinued operations). The new reportable segments were split taking into account the nature of the products, production process, distribution channels, types of customers and the regulatory environment in which the business units operate.

The new operating and reportable segments are as follows:

- Consumer Health, incorporating Sports Nutrition, Skin and all of the Ascendis over-the-counter (OTC) and complementary and alternative medicines Consumer Brands products. This division includes three reportable segments:
  - Consumer Health Africa segment: operating predominantly in the South African market.
  - Scitec segment: operating predominantly in the European market.
  - Sun Wave segment: operating predominantly in Romania.

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

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

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

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

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

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

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

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

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

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

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

1. Group Segmental Analysis (continued)

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

(b) Statement of financial position measures applied

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

1. Group Segmental Analysis (continued)

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

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

2. Earnings per share

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

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

The breakdown of revenue from all activities is as follows:

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

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

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

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

4. Income tax expense

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

4. Income tax expense (continued)

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

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

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

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

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

5. Property, plant and equipment

Reconciliation of property, plant and equipment - 2019

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

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

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

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018
Restated

R'000	Land and buildings	Plant and machinery owned	Office furniture	Motor vehicles owned	Leased assets	Computers	Leasehold improvements	Capital work in progress [1]	Total
Opening balance									
Cost or revaluation	576 679	376 464	42 874	39 083	28 309	48 157	33 355	36 606	1 181 527
Accumulated depreciation and impairment	(10 661)	(57 055)	(16 179)	(3 639)	(3 912)	(11 390)	(18 944)	241	(121 539)
Net book value at 1 July 2017	**566 018**	**319 409**	**26 695**	**35 444**	**24 397**	**36 767**	**14 411**	**36 847**	**1 059 988**
Additions	6 261	153 615	18 412	5 712	18 563	24 718	14 704	13 422	255 407
Revaluation	(4 611)	-	-	-	-	-	-	-	(4 611)
Additions through business combinations	-	2 710	506	487	-	194	-	-	3 897
Disposals and scrapping	-	(2 551)	(887)	(862)	(327)	(507)	(36)	(1 884)	(7 054)
Transfers between asset categories	318	(3 449)	(10 063)	(23 740)	16 593	(1 153)	19 691	1 803	-
Transfers from inventory[2]	-	48 984	-	-	-	-	-	-	48 984
Transferred to disposal group classified as assets held for sale	(87 000)	(26 122)	(1 532)	(1 124)	-	(2 100)	(1 482)	-	(119 360)
Foreign exchange movements	51 975	18 570	4 888	337	(10 004)	2 273	(13 336)	(1 765)	52 938
Depreciation [2]	(14 530)	(66 945)	(6 469)	(4 421)	(9 577)	(14 084)	(4 444)	-	(120 470)
Net book value at 30 June 2018	**518 431**	**444 221**	**31 550**	**11 833**	**39 645**	**46 108**	**29 508**	**48 423**	**1 169 719**
Made up as follows:									
Cost or revaluation	531 354	593 206	54 128	15 676	41 753	72 826	80 224	48 182	1 437 349
Accumulated depreciation and impairment	(12 923)	(148 985)	(22 578)	(3 843)	(2 108)	(26 718)	(50 716)	241	(267 630)
Net book value at 30 June 2018	**518 431**	**444 221**	**31 550**	**11 833**	**39 645**	**46 108**	**29 508**	**48 423**	**1 169 719**

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

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

6. Intangible assets and goodwill

Intangible assets and goodwill - 2019

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

6. Intangible assets and goodwill (continued)

Intangible assets and goodwill - 2018

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

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

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

6. Intangible assets and goodwill (continued)

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

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

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

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

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

6. Intangible assets and goodwill (continued)

Impairment tests for CGUs

2019 impairment test

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

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

2018 impairment test

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

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

6. Intangible assets and goodwill (continued)

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

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

7. Inventories

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

8. Borrowings and other financial liabilities

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

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

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

8. Borrowings and other financial liabilities (continued)

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

The fair value (determined using the discounted cash flow model) approximates the carrying value. The key valuation inputs in the fair value assessment are the interest rate (observable) and credit risk (unobservable), making this a level 2 fair value assessment.

The group has the following financing structure as at year end:

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

EUR denominated facilities

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

ZAR denominated facilities

The secured syndicated facility consists of two term loans with balances outstanding of R851.1 million and R493.8 million as at year end. The R851.1 million facility matures in 2021 with the full capital amount due at maturity date. Interest is charged at JIBAR plus 4.2% per annum and is payable quarterly. The R493.8 million facility is payable bi-annually with a maturation date of December 2020. Interest is charged at JIBAR plus 3.75% per annum and is payable quarterly. Included with this balance are debt capitalisation fees of R28.1 million. The group has a revolving credit facility of R395 million with a balance outstanding of R332.9 million as at 30 June 2019. Additional facilities relating to letters of credit, performance guarantees and debtors factoring exist.

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

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

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

8. Borrowings and other financial liabilities (continued)

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

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

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

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

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

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

9. Deferred vendor liabilities

The group structures its acquisitions to include contingent and deferred consideration that is included in the cost of the business combination at the fair value on the date of the acquisitions.

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

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

All deferred vendor liabilities raised relate to business combinations.

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

10. Cash generated from operations

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

11. Dividends paid

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

12. Discontinued operations

Ascendis initiated a strategic business review in March 2018. The strategic review was primarily aimed at creating a leading market position for the business, accelerating organic growth across the group following the completion of several local and international acquisitions, improving cash generation and enhancing profitability.

As a result of the above-mentioned strategic review, the board decided to dispose of certain non-core assets. The following disclosures relate to discontinued operations for the financial period ended June 2019 and an update on the discontinued operations for the financial period ended 30 June 2018.

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

Biosciences

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

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

Remedica

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

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

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

Ascendis Direct

Ascendis Direct ("AD") was the group's direct selling and network marketing business selling Sportron and Swissgarde products, operating in Southern Africa and Nigeria. AD has limited integration with Ascendis as it operates its own management structure, head office and supply chain. The AD business model is not applied anywhere else in the group. The sale-purchase agreement was concluded with a potential buyer on 10 September 2018. However, the transactions did not materialise and negotiations are continuing with a potential buyer. AD is still classified as a discontinued operation and held for sale as at 30 June 2019.

Ascendis Sports Nutrition

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

12. Discontinued operations (continued)

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

Isando manufacturing

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

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

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

12. Discontinued operations (continued)

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

12. Discontinued operations (continued)

Assets and liabilities classified as held for sale

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

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

13. Related parties

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

14. Changes in accounting policies

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

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

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

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

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

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

14. Changes in accounting policies (continued)

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

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

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

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

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

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

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

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

Adoption of IFRS 15 Revenue from contracts with customers

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

14. Changes in accounting policies (continued)

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

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

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

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

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

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

14. Changes in accounting policies (continued)

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

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

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

14. Changes in accounting policies (continued)

Adoption of IFRS 9 Financial Instruments

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

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

Initial classification and measurement

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

Impairment

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

Significant judgement

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

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

Impairment

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

14. Changes in accounting policies (continued)

Provision matrix

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

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

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

Simplified parameter-based approach

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

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

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

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

15. Commitments

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

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

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

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

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

16. Contingent Liabilities

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

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

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

16. Contingent Liabilities (continued)

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

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

17. Events after reporting period

Disposal of Biosciences

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

Update to standstill agreement

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

Disposal of Remedica

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

Administration

Country of Incorporation and domicile	South Africa
Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
ISIN	ZAE000185005
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Postal address	PostNet Suite #252 Private Bag X21 Bryanston 2021
Contact details	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
JSE sponsor	Questco Corporate Advisory (Pty) Ltd
Auditors	PricewaterhouseCoopers Inc
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 PO Box 61051, Marshalltown, 2107 Telephone: +27 (0)11 370 5000
Company secretary	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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