Ascendis
HEALTH LIMITED

GROUP ANNUAL FINANCIAL STATEMENTS

For the year ended
30 June 2020

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Group company secretary's certification

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

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that, to the best of my knowledge, for the year ended 30 June 2020, Ascendis Health Limited group has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

TM Nkuna (B Com, LLB)
Group company secretary
Johannesburg
27 October 2020

Directors' responsibilities and approval

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

The directors consider that in preparing the group annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards (IFRS) considered applicable have been followed. In our response to the Covid-19 pandemic, the uncertain economic environment and financial market volatility, the board of directors has paid specific attention to the critical accounting judgements, estimates and assumptions detailed on page 44.

The directors are satisfied that the information contained in the group annual financial statements fairly presents the results of operations for the year and the financial position of the group at year end. The directors also prepared the other information included in the Integrated Annual Report and are responsible for both its accuracy and its consistency with the group annual financial statements and company financial statements.

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

The preparation of the group annual financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the group annual financial statements and the reported expenses during the reporting period. Whilst estimates reflects management's best estimate, the actual results thereof could differ from those estimates.

Ascendis and its subsidiaries operates in an improved control environment, which is in the process of being fully documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are controlled. The internal audit function monitors the compliance with our internal control system using the recently implemented Control Self Assessment (CSA) tool and updates management regarding the emergence of new risks. Internal audit provides comfort to the audit and risk committee and the board of directors that our systems of risk management and internal control – as designed and represented by management – are adequate and effective. The Ascendis Code of Conduct has been adhered to during the year.

The Board, in its assessment of the going concern status of the company and group, considered the following factors:

- the current financial position of the group;
- the sustainability of each of the business units and their operating models;
- available financial resources at 30 June 2020;
- the group's ability to service debt arrangements;
- progress the group's divestment strategy in disposing of certain companies;
- maintain progress of external debt covenants imposed by the lender consortium to ensure the refinancing arrangement remains intact;
- the budget and cash flow forecast to 30 June 2021;
- continued subordination and repayment of deferred vendor liabilities as they become due;
- the current regulatory environment and potential changes thereto;
- the economic outlook;
- as well as the impact of Covid-19 on its operations and the economic environment.

Directors' responsibilities and approval

The overwhelming majority of the group's activities, and those of most of its customers, are regarded as essential services and have been operating throughout all levels of lockdown. However, as the disease spread, the prevalence of infections amongst employees increased, putting certain of the operations at risk of not being able to operate on a fully uninterrupted basis. All factories and distribution centres had to close intermittently for certain periods of time to allow for additional sanitising procedures and employees were isolated or quarantined as appropriate, but all customers were serviced despite these interruptions.

The board is satisfied that the company and group, and all companies within the group, are and will be able to continue as a going concern (except for the group companies that are in the process of deregistration) in the foreseeable future and has therefore continued to adopt the going concern basis in preparing the group annual financial statements based on the successfully concluded refinancing of the group, forecasts and available cash resources. Refer to detailed information on the going concern assumption in the audit and risk committee report on page 11, directors' report on page 20 and accounting policy note on page 32.

The group's external auditor, PricewaterhouseCoopers Inc., audited the group annual financial statements and its report is presented on pages 4 to 10.

The group annual financial statements, as set out on pages 20 to 170, were prepared under the supervision of the chief financial officer, Kieron Futter (CA) SA and approved for issue by the board on 27 October 2020 and are signed on its behalf by:

AB Marshall
Independent non-executive chairman
Johannesburg
27 October 2020

MJ Sardi
Chief executive officer
Johannesburg
27 October 2020

Independent auditor's report

To the Shareholders of Ascendis Health Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ascendis Health Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

Ascendis Health Limited's consolidated financial statements set out on pages 28 to 161 comprise:

- the group statement of financial position as at 30 June 2020;
- the group statement of profit or loss and other comprehensive income for the year then ended;
- the group statement of changes in equity for the year then ended;
- the group cash flow statement for the year then ended; and
- the notes to the group financial statements, which include a summary of significant accounting policies.

Certain required disclosures have been presented elsewhere in the consolidated financial statements, rather than in the notes to the financial statements. These are cross-referenced from the consolidated financial statements and are identified as audited.

Basis for opinion

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

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

Independence

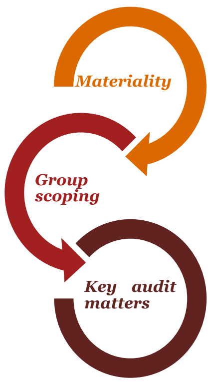
We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other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

Material uncertainty related to going concern

We draw attention to the note on *Going Concern* in the accounting policies disclosed in the consolidated financial statements, which indicates that the Group incurred a net loss of R1 072 million during the year ended 30 June 2020 and, as that of that date the Group's ability to meet its debt covenant requirements and repay its debt as it becomes due is dependent on the timing and quantum of cash flows from operations, and the ability to realise cash through asset disposals or part thereof. As described in the note on *Going Concern*, these events or conditions, along with the other matters disclosed in the note on *Going Concern*, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



Overall group materiality

- *Overall group materiality: R26.57 million, which represents 2.25% of “normalised” earnings before interest, taxation, depreciation and amortisation (EBITDA).*

Group audit scope

- *The consolidated financial statements comprise of 122 components. We performed full scope audits on 21 components as a result of their financial significance and in order to obtain sufficient appropriate audit evidence on which to base the group audit opinion; and*
- *Analytical review procedures were performed over the remaining components.*

Key audit matters

- *Material uncertainty related to going concern;*
- *Impairment assessment of non-current assets; and*
- *Non-current assets held for sale and discontinued Operations recorded in terms of IFRS 5 - ‘Non-Current Assets Held for Sale and Discontinued Operations’.*

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

Materiality

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

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

Overall group materiality	*R 26.57 million.*
How we determined it	*2.25% of “normalised” earnings before interest, taxation, depreciation and amortisation (EBITDA).*

Rationale for the materiality benchmark applied	*We chose EBITDA as the benchmark because, in our view, it is the most appropriate benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark.* *Note 1 to the consolidated financial statements provides a measure of "normalising" EBITDA which reflects the underlying performance of the Group by removing the impact of the following once-off and project related costs:* - *costs incurred to acquire and integrate business combinations into the group;* - *any costs incurred or losses made on disposal of businesses;* - *any settlement cost of product-related litigation;* - *any debt and equity capital restructuring costs that cannot be capitalised;* - *impairment charges on non-current assets;* - *any restructuring costs to streamline, rationalise and structure the group; and* - *any retrenchment costs.* *We chose 2.25% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using EBITDA to compute materiality, and taking into account the significant level of external debt.*

How we tailored our group audit scope

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

The Group owns a portfolio of brands within four core health care areas, namely Consumer Health, Pharma, Medical and Animal Health, operating across various geographical locations including Africa and Europe. The consolidated financial statements are a consolidation of 122 components. We performed full scope audits on 6 reporting components due to their financial significance to the Group as well as on 15 reporting components in order to obtain sufficient appropriate audit evidence on which to base the group audit opinion. Analytical procedures were performed on the remaining components.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report on the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-current assets International Accounting Standard 36 - 'Impairment of Assets' ("IAS 36") requires that an impairment assessment of a cash generating unit ("CGU") be performed when there is an indication that it may be impaired. CGUs that include goodwill and indefinite useful life intangible assets are however tested annually for impairment, or when there is an indication of impairment. The attributable property, plant and equipment, goodwill and intangible assets amount to R1,039 million, R2,670 million and R3,005 million respectively. Significant goodwill and intangible assets arose due to business combinations concluded in previous years, which have been allocated to CGUs. In order to establish whether an impairment should be recognised for a CGU, its recoverable amount (the greater of the fair value less costs of disposal and value-in-use) is compared to its carrying amount. Management determined the recoverable amounts of the continuing CGUs using the value-in-use model, in accordance with IAS 36. Refer to the *Significant estimates and accounting judgements* accounting policies note, and note 11 - '*Intangible assets and goodwill'* to the consolidated financial statements where the impairment of non-financial assets has been disclosed. The impairment of non-financial assets was considered to be a matter of most significance to our current year audit due to the following: ● The level of judgement applied by management regarding the discount rates, the long-term growth rates and forecast cash flows in performing the impairment assessments; ● The sensitivity of the impairment assessments to certain key assumptions, as limited movement in these assumptions could potentially result in impairment or additional impairment of CGUs; and ● The magnitude of the impairment recognised during the year ended 30 June 2020 of R689.32 million.	Through discussion with management, we obtained an understanding of the process and procedures applied by management during their impairment assessment of non-financial assets. We further obtained an end-to-end understanding of the budgeting process, and inspected the budget presentations made to the board of directors including the various iterations of submitted budgets. Utilising our corporate finance and financial modelling expertise, we performed the following procedures: ● we assessed the valuation models used in management's impairment assessments and found they were materially consistent with best practice; and ● we independently recalculated management's discount rates with reference to relevant third party sources and found management's discount rates to be within an acceptable range. We assessed the mathematical accuracy of the cash flow models and agreed relevant data to the latest budgets used by management to manage and monitor the performance of the business, whilst also considering historic results and trends for the entity. As a result of the increased difficulty of forecasting under the uncertain circumstances created by Covid-19, we assessed the reasonableness of management's forecasted revenue by comparing actual revenue reported in July and August 2020 to the revenue amounts forecasted for these months. We noted no material differences requiring further investigation. We assessed management's assumptions used in the calculation of the recoverable amounts by performing the following procedures: ● Through discussion with management, we challenged assumptions made in the value-in-use calculations and tested the reasonability of these key assumptions, which included sales growth, other operating costs growth, annual capital and research and development expenditure, long-term growth rates, and discount rates. We found that management had used certain assumptions that did not align with the requirements of IAS 36, specifically around forecasted cash flows being determined on the basis of the continued use of the asset in its current condition. After discussion with management, and management's own assessment of the requirements of IAS 36, the assumptions were updated. We obtained relevant documentation of board approval for the changes made to the assumptions used by management

	for impairment purposes; • We agreed management’s forecasts relating to sales growth, and other operating costs growth, to the board ratified revised assumptions mentioned above; and • We compared management’s revised assumptions to historical performance. The cash flow projections were assessed based on the reasonableness of the assumptions used by management and their ability to support these assumptions. Whilst our independently determined key assumptions were different from those applied by management, the impact of these differences was found to be within an acceptable threshold. Based on the procedures performed above, we independently calculated a range of recoverable amounts and compared these to management’s calculations. We found the recoverable amount of the CGUs, as calculated by management to be reasonable and within our range of acceptable results. We performed sensitivity analyses to assess the degree by which certain key assumptions needed to change to trigger an impairment. We discussed these with management and considered the likelihood of such changes occuring. We did not identify any further impairments to be recognised. We recalculated the impairment based on the recoverable amounts. We noted no material exceptions.
Non-current assets held for sale and discontinued operations recognised in terms of IFRS 5 - ‘Non-Current Assets Held for Sale and Discontinued Operations’ Refer to note 30 - *‘Discontinued operations’* to the consolidated financial statements. Management concluded that the Biosciences, Ascendis Direct and Scitec disposal groups will be reported in accordance with IFRS 5 – ‘Non-Current Assets Held for Sale and Discontinued Operations’ (“IFRS 5”) in the 2020 consolidated financial statements. In addition, management concluded that Dezzo Trading 392 (Pty) Ltd will be classified as a non-current asset held for sale. Following the termination of negotiations with a buyer due to circumstances beyond the groups control in December 2019, management further concluded that the Remedica business no longer meets the requirement to be classified as a non-current asset held for sale nor as a discontinued operation. The application of IFRS 5 was considered to be a matter of most significance to the current year audit	Utilising our accounting expertise, we performed the following procedures: • We evaluated the analysis provided by management to assess whether the requirement of IFRS 5, that the asset or disposal group must be available for immediate sale in its present condition and that the sale must be highly probable, had been met for Biosciences, Ascendis Direct, Scitec and Dezzo Trading 392 (Pty) Ltd. We inspected the board resolutions, SENS announcements, as well as internal communication to identify the assets or disposal groups that meet the criteria in IFRS 5. Based on the procedures performed, we accepted management's conclusion that the requirements of IFRS 5 had been met; • We inspected the SENS announcement dated 17 December 2019 which indicated that the Group had terminated negotiations with the preferred bidder for the Remedica sale as the parties did not agree key terms for the transaction. Based on our procedures performed, we accepted management’s

because of the judgement involved in assessing the transactions against the requirements of IFRS 5 for both the non-current assets held for sale and the businesses to be classified as a discontinued operation. In addition, the presentation and disclosure of the disposal groups in compliance with IFRS 5 required consideration.	assessment that Remedica no longer met the requirement to be classified as a non-current asset held for sale nor as a discontinued operation; and ● We compared the financial statement disclosures against the requirements of IFRS 5 and noted no material exceptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the documents titled "Ascendis Health Limited Group Annual Financial Statements for the year ended 30 June 2020" and "Ascendis Health Limited Annual Financial Statements for the year ended 30 June 2020", which includes the Directors' Report, the Audit Committee Report and the Group Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Ascendis Health Limited for 7 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Tanya Rae
Registered Auditor
Johannesburg
27 October 2020

Audit committee report

1. Introduction

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

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

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

This report is presented to stakeholders in compliance with the Companies Act and the King IV Report on Corporate Governance for South Africa, 2016 (King IV).

On 11 March 2020, the World Health Organisation officially declared coronavirus 2019 (Covid-19), the disease caused by a novel coronavirus, a pandemic. The unprecedented nature of the global Covid-19 pandemic resulted in the Ascendis Health board taking primary responsibility for responding to this matter for the protection of shareholders, customers and employees. The committee is closely monitoring the evolution of this pandemic and effect on the group, the economy and the general population. The outbreak has not had a significant impact on the group's operations to date as the business was regarded as an essential service provider and no lockdown was imposed on the operations.

Management currently has an appropriate response plan in place and the Committee will continue to monitor and assess the ongoing developments and respond accordingly.

The 2020 year was a particularly challenging year at Ascendis. Whilst the focus of management was on restructuring and debt management, operations continued under challenging circumstances. A lot of the attention of the committee was spent on these issues and assisting management in "keeping the wheels turning". Various staff changes have also proved disruptive in maintaining systems of internal control and continuing of operations. In this regard a senior resource was brought in to assist with systems of internal control, cash flow management and generally managing the finance function at subsidiary companies.

2. Purpose and activities of the committee

The committee performed the following functions during the year:

- Reviewed the interim and annual results to ascertain that the financial results are valid, accurate and fairly represent the group's performance.
- Had oversight of integrated reporting and confirmed the integrity of the integrated annual report, as well as any other form of public reporting or announcements containing financial information.
- Reviewed the group annual financial statements, ensuring they are compliant with accounting standards and legal requirements, and recommended them for approval by the board.
- Reviewed the audit and risk committee and the internal audit charters.
- Confirmed the terms of engagement of the external auditor.
- Monitored the implementation of the policy relating to non-audit services by the external auditor.

2. Purpose and activities of the committee (continued)

- Ensured that the scope of non-audit services did not compromise the independence of the external auditor. Please also refer to note 7 below in this regard.
- Had oversight of the activities and co-ordination of the internal and external audits.
- Received feedback from management and internal audit on systems of internal control.
- Reviewed and received assurances on the independence and objectivity of the external auditor.
- Reviewed the competence of the external and internal auditors.
- Nominated the external auditor for reappointment.
- Considered the effectiveness of internal audit, approved the annual internal audit plan and monitored adherence of internal audit to its plan.
- Approved the audit fees for both internal and external audit.
- Reviewed the performance of the group against loan covenants.
- Confirmed that the adoption of the going-concern premise in the preparation of the financial results is appropriate.
- Reviewed the group's policies and procedures on risk management and legal requirements.
- Monitored the fraud and litigation register on an ongoing basis.
- Had oversight of IT development with ongoing feedback on progress to the committee.
- Received feedback on follow up matters arising from the 2019 external audit management letter.
- Conducted an annual assessment of the committee and its members.
- Reviewed insurance cover in place and made recommendations for changes.
- Reviewed and updated the levels of authority framework.
- Considered the expertise and experience of the CFO and the finance department.
- Monitored the progress of the group tax committee and implementation of the group tax strategy.
- Regularly reviewed the risk registers.
- Ensured that the group has established appropriate financial reporting procedures and that those procedures are operating.
- Received feedback on the group's enterprise risk management (ERM) maturity assessment.

3. Composition of the committee

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

The following directors served on the committee during the year under review:

B Harie (chairman)	BA LLB (Natal), LLM (Wits)
MS Bomela	B Com (Hons), CA (SA), MBA
Dr NY Jekwa	MB Bch (Wits), MBA
Dr KS Pather	BDS (Wits), MBA (UK) – stepped down from the committee as a result of not receiving the required majority votes for election at the AGM on 5 February 2020
SS Ntsaluba	B Com, B Compt (Hons), H Dip Tax Law, M Com, CA (SA) – appointed on 7 April 2020, which appointment will be proposed for ratification by shareholders at the upcoming AGM

3. Composition of the committee (continued)

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

Audit and risk committee meetings held and attended during the year under review:

B Harie (chairman)	4 / 4
MS Bomela	4 / 4
Dr NY Jekwa	4 / 4
Dr KS Pather	3 / 3
SS Ntsaluba	1 / 1

In addition to the quarterly meetings, the committee held a workshop on the non-audit services in May 2020 and the chair of the committee had several engagements with the external auditors to review the additional disclosure requirements due to Covid-19.

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

4. External auditor

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

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

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

The external auditor is invited to and attends all committee meetings. A schedule of findings by the external auditor arising from the statutory audit is tabled and presented at a committee meeting following the audit. The committee endorses action plans for management to mitigate concerns noted. The external auditor has expressed an unqualified opinion on the Group annual financial statements for the year ended 30 June 2020, albeit with an emphasis of matter.

The committee has reviewed the performance of the external auditor and has assessed the suitability of PwC as auditors based on the documents presented to it in terms of paragraph 3.84 (g)(iii) and section 22.15(h) of the JSE Listings Requirements – in relation to registration, inspections, firm internal control and investigations in respect of PwC as a firm and the designated auditor, Ms T Rae. Based on these assessments and the information considered, the committee nominates for approval at the upcoming AGM, PwC, as the external auditor for the 2021 financial year and Tanya Rae as the designated auditor.

5. External audit: Key audit matters

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

Impairment of non-financial assets

Historically, as and when the company acquired new businesses, significant levels of property, plant and equipment, goodwill and intangible assets were added to the group's net assets. However, over the years and especially in the previous financial year, some of these businesses did not perform according to projections. In the current year this trend has continued and resulted in additional impairments being recognised due in part to the increase in weighted average cost of capital (WACC) rates and the forward looking impact of Covid-19 which has created increased estimation uncertainty. Details on impairments of property, plant and equipment, goodwill and intangible assets are comprehensively covered in Note 11 to the group annual financial statements.

The committee reviewed and discussed the report from the CFO regarding the carrying values, value in use, the level and appropriateness of impairments, related key estimates and assumptions used in determining the carrying value of property, plant and equipment, goodwill and other intangible assets and adequate disclosures around sensitivities to contextualise the level of estimation.

The committee is acutely aware of the previously high levels of property, plant and equipment, goodwill and intangible assets carried by the group and is in agreement with the comments raised by the auditors. Management and the auditors have engaged in a rigorous process of scrutinizing all aspects of the impairment of the assets prior to recording a total impairment of R967 million (2019: R4.4 billion) on property, plant and equipment, goodwill and intangible assets. Despite the impact of these impairments on the performance of the company, the committee believes that the levels of impairment are both appropriate and necessary.

Non-current assets held for sale and discontinued operations recognised in accordance with of IFRS 5

As part of its strategy, the board identified several subsidiaries for disposal which have consequently been classified as held for sale at year-end. A complete list of these disposal groups and detail of the circumstances leading to their classification as such, can be found in Note 30 to the group annual financial statements. The more significant companies identified as being held for sale as at 30 June 2020 were the Biosciences and Scitec segments. The first tranche of the Biosciences sale was concluded on 31 July 2019 and the second tranche is expected to be concluded within 12 months after the current year reporting date. The Scitec transaction was concluded on 31 July 2020 and the Ascendis Direct disposal was also concluded on 31 August 2020.

The aforementioned disposal groups were identified not only as held for sale but also discontinued operations, whilst Dezzo Trading 392 (Pty) Ltd was classified only as a disposal group held for sale in the current year.

In the current year, there was a change in the plan to sell Remedica which was a disposal group held for sale and a discontinued operations as disclosed in the prior year annual financial statements. Please refer to the Restatements section of the of the Accounting policies for more details on the impact of this change in classification on the prior year comparative financial information.

The committee is satisfied that management has treated these disposal groups held for sale and discontinued operations as per IFRS 5 requirements and this is supported by the independent external auditors who noted no exceptions in this regard.

6. Restatements and prior period error

The committee notes that comparative information has been restated due to the restatement of discontinued operations. Furthermore, the committee notes with regret that prior period errors valued at R81 million on borrowings and treasury shares and a classification between other reserves and stated capital of R450.1 million has also been identified during the current year. The committee has been advised that the treasury share error related to the complexity around the LTI share scheme and related total share swap funding mechanism which resulted in the incorrect accounting for this transaction and full details on both the restatement and prior period errors can be found under accounting policies.

7. Non-audit services

The committee is satisfied with the independence of the external auditors, based on the size and type of non-audit services rendered. At year end the percentage of non-audit services relative to the financial year audit costs was 8% (2019: 95%). This is a significant decrease from the previous year as the committee was concerned as to the level of non-audit services conducted in the previous year. The prior year non-audit costs were regarded as non-recurring – and as such, the level of expenditure of this category of cost has reduced to comply in the current year and future with Ascendis' policy. Fees paid to PwC amounted to R25.5 million (2019: R48.6 million), which consisted of R23.8 million (2019: R29.6 million) for statutory audit and related services and R1.7 million (2019: R19.0 million) for pre-approved non-audit services.

The committee continued to monitor the level of non-audit services conducted and updated the existing non-audit services policy, with effect from May 2020, to ensure the types of non-audit services provided by the external auditors are restricted to statutory or JSE related work and only where convenience and cost efficiency reasons would support their engagement. The amendments to the policy also include a requirement for the committee to first approve any proposed services from the external auditor that would be that of a consultant or would require them to express an opinion, and to only approve such services if the committee determines the independence of the auditor will not be adversely impacted.

In terms of the policy on non-audit services, the total fees earned for non-audit services may not exceed 25% of the total annual fees for audit services and any amount between 15% to the 25% threshold requires the specific approval of the audit and risk committee. The CFO is authorised to approve any non-audit service fees that fall below the 15% threshold. The group maintains a register that measures and monitors the costs of these non-audit services during the course of the financial year and reviews this register at the quarterly committee meetings to ensure conformance.

The policy requires the external auditor to satisfy the committee that the delivery of non-audit services does not compromise their independence in performing regular audit services, regardless of the fees associated with such services.

8. Internal audit

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

8. Internal audit (continued)

Internal audit conducted a total of 16 audits for the year, across various subsidiary companies. The results were a mixture of ratings classed as "acceptable" and "weak". In March 2020, and in an effort to improve systems of internal control and to move towards a uniform internal control standard for Ascendis a control self-assessment (CSA) approach was implemented across the group, together with various workshops and training manuals. The results of the CSA questionnaire validations were a mixture of ratings ranging from "compliant", "partially compliant" and "non-compliant" per process assessed per business unit.

With a continued focus on systems of internal control for 2020 and a particular emphasis on enterprise-wide risk management as a key business process, we are hopeful that these ratings improve for the coming year.

Internal audit provided a written assessment regarding the group's system of internal controls and confirmed that, while improvements were evident in the control environment, based on the results of the work undertaken, these were adequate and partially effective.

Despite this assessment of the adequacy and effectiveness of internal financial controls, the audit and risk committee believes that the effectiveness of controls needs to be improved. Adequate controls are in place, however, these are not yet sufficiently and consistently applied in some parts of the business. Work to strengthen internal controls continues, but we are comfortable that strides are made and that the new finance director is leading and focusing the team in enhancing the adequacy and effectiveness of the control environment.

The audit and risk committee satisfied itself that the internal audit function is independent and had the necessary resources, standing and authority to discharge its duties.

9. Combined assurance

Effective risk management is fundamental to the successful management of an organisation to ensure the appropriate governing and management of risks in accordance with King IV. The company's combined assurance approach includes assessing, coordinating, and managing risk efforts to increase collaboration between the group's assurance providers, both internal and external. The identified lines of defense are management, internal and external assurance providers with the key objective of an inclusive stakeholder approach. The committee provides oversight on the combined assurance model and outcome of assurance activities. In May 2019 the committee commissioned KPMG to perform a combined assurance review at Ascendis Health. As an outcome of the review, the committee is in the process of drafting and implementing a combined assurance policy that sets out guidance and structure to assess and manage risk efforts.

10. Evaluation of the chief financial officer

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

Mr Kieron Futter has resigned from the board and as chief financial officer ("CFO") of the Ascendis Health Limited group with effect from 30 September 2020. A further announcement will be made when the group has identified a suitable replacement for the CFO role.

11. Application of King IV

The committee reviews annually the progress and development being made by Ascendis on the application of King IV principles. We consider continued compliance with and application of the King IV principles as a journey and we aim to continue improving on our application of all the principles. The latest King IV schedule has been published on our website. Ascendis is committed to complying with each of the 16 principles of King IV code in its business operations.

12. Going concern

The committee reviewed a documented assessment by management of the going concern premise of the group, as well as various comments raised by the external auditors. The group was able to raise further funding from the lender consortium in June 2020, conditional upon, amongst other things, certain asset disposal milestones being met. Further assessments included consideration of the uncertainties created by Covid-19. After carefully considering the going concern status of the company and the group, with reference to expected future cash flows, trading performance, balance sheet stresses, compliance with loan covenants to secure lines of credit, disposal processes of companies, the committee was comfortable to recommend the applicability of the going concern basis of accounting to the board.

The committee reviews all proposed intercompany funding proposals and distributions to shareholders in terms of sections 44, 45 and 46 of the Companies Act, recommending such funding arrangements to the board for consideration.

13. Group annual financial statements

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

The committee, in the finalisation of the group annual financial statements, also considered matters, including those emanating from the JSE's proactive monitoring process in respect of accounting policies and financial reporting as well as numerous other matters communicated by the JSE over the past few months in respect of reporting and disclosure, with specific reference to its requests in respect of Covid-19 disclosures.

13. Group annual financial statements (continued)

In light of the requirements of the JSE in respect of financial reporting, the committee carefully considered the disclosure in the trading update, results announcement and the financial statements in respect of Covid-19 to also ensure a fair, balanced and transparent depiction of information for economic decision making.

The committee is satisfied that appropriate financial reporting procedures exist and are operational in all entities in the group to effectively prepare, and report on, the group annual financial statements. Appropriate resources were insourced to assist in the completion of all outstanding subsidiary financial statements relating to prior years.

The committee has reviewed the group annual financial statements as well as trading statements, preliminary results announcements and interim financial information of the company and the group and is satisfied that they comply with International Financial Reporting Standards and the JSE listing requirements, where applicable.

14. Committee focus in 2021

In addition to the standard agenda items, the committee will also be focusing on the following items for 2021:

- strengthening of the finance function, both at head office and subsidiary companies;
- tracking management progress against asset disposal milestones imposed by the lender consortium;
- improvement of the internal controls environment;
- cashflow management;
- combined assurance implementation with the groupwide integration of finance, risk and compliance functions;
- assisting the incoming CFO in their new role; and
- continued support of the CEO in his strategy, especially in restructuring the business and financial performance.

15. Conclusion

This was certainly not a year where it was business as usual at Ascendis. The board, the committee and management have worked with great effort in managing and restructuring the business to ensure its sustainability. This involved constant monitoring by the board on disposal activities, the refinancing and issues of solvency and liquidity. On a personal note, I thank the CEO and the CFO in their tireless efforts over the past few months. The committee is satisfied that it has discharged its duties and responsibilities as required by the Companies Act and that is has functioned in accordance with its terms of reference for the 2020 financial year.

The committee therefore recommended the group and company annual financial statements of Ascendis Health Limited for approval to the board. At the forthcoming annual general meeting the group and company annual financial statements will be presented to shareholders.

On behalf of the Committee:

B Harie
Chairman of the audit and risk committee
Johannesburg
27 October 2020

Directors' report

The directors are pleased to submit their report on the group annual financial statements of Ascendis Health Limited and the group for the year ended 30 June 2020.

1. Nature of business

Ascendis Health Limited is a health and wellness company listed in the healthcare sector of the JSE. The group has a global divisional operating model comprising of Pharma, Consumer Healthcare, Medical and Animal Health. The group's operations are geologically split across Southern Africa, Cyprus (Remedica), Hungary (Ascendis Wellness) and Spain (Farmalider). The group mainly focuses on supplying pharmaceutical and animal health products, as well as clinical and diagnostic medical devices.

2. Review of financial activities

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

In the current year's analysis, the impact of the Covid-19 pandemic has been considered. Refer to point 14 below for more details.

The accounting policies have been applied consistently compared to the prior year, except for the adoption of IFRS 16 Leases. Refer to note 36 for more details.

The group reported a loss after tax from continuing operations for the year ended 2020, of R902.6 million, an improvement on the prior year's loss after tax from continuing operations of R1 777 million (restated). The decrease in the loss from continuing operations is largely as a result of an increase in the reported EBITDA to R1 181 million (30 June 2019: R749 million), the decrease in impairments of intangible assets, goodwill and property, plant and equipment to R653.3 million (30 June 2019: R1.6 billion), which was also offset by a significant increase in finance costs to R865.9 million (2019: R407.4 million) incurred under the refinancing secured.

Group revenue from continuing operations increased by 18% from R5.9 billion (restated) in the prior year to R6 963 million for the year.

Full details of the financial results are set out in these group annual financial statements and accompanying notes for the year ended 30 June 2020.

3. Stated capital

Authorised number of shares	30 June 2020	30 June 2019
Ordinary shares	2 000 000 000	2 000 000 000

Issued and fully paid up number of shares	30 June 2020	30 June 2019
Ordinary shares	489 469 959	489 469 959

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

4. Directorate

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

Directors	Office	Designation	Changes
MJ Sardi	Chief executive officer	Executive	Appointed 14 October 2019
K Futter	Chief financial officer	Executive	Resigned effective 30 September 2020
AB Marshall	Chairman	Independent non-executive	-
B Harie	Member	Lead independent non-executive	-
MS Bomela	Member	Independent non-executive	Resigned effective 31 October 2020
Dr KS Pather	Member	Independent non-executive	-
Dr NY Jekwa	Member	Independent non-executive	-
J Sebulela	Member	Independent non-executive	-
SS Ntsaluba	Member	Independent non-executive	Appointed 7 April 2020, which appointment will be proposed for ratification by shareholders at the upcoming AGM

In terms of the Group's Memorandum of Incorporation J Sebulela and AB Marshall retire by rotation at the 8th AGM scheduled for 20 November 2020 and are eligible for re-election.

5. Directors' interests in shares

As at 30 June 2020, the directors of the group held direct and indirect beneficial interests in 0.2% (2019: 0.1%) of its issued ordinary shares, as set out in note 24.

An indirect interest constitutes shares that are not held in the director's name, but is disclosed for the reason of being held by a close relation to the director. The determination of a beneficial and non-beneficial interest is in accordance with the definition of a beneficial owner as prescribed by the JSE Listing requirements.

5. Directors' interests in shares (continued)

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

2020 Directors	Direct beneficial shares	Indirect beneficial shares[(1)]	Indirect non-beneficial shares[(2)]	Total
B Harie	3 548	190 783	12 535	**206 866**
Dr KS Pather	180 933	20 000	-	**200 933**
Dr NY Jekwa	9 222	-	-	**9 222**
MJ Sardi	25 597	-	-	**25 597**
K Futter	296 286	-	-	**296 286**
Total	**515 586**	**210 783**	**12 535**	**738 904**

2019 Directors	Direct beneficial shares	Indirect beneficial shares[(1)]	Indirect non-beneficial shares[(2)]	Total
B Harie	3 548	115 783	12 535	**131 866**
Dr KS Pather	24 650	20 000	-	**44 650**
Dr NY Jekwa	2 222	-	-	**2 222**
K Futter	296 286	-	-	**296 286**
Total	**326 706**	**135 783**	**12 535**	**475 024**

[(1)] Shares not registered in the name of the director but rather through a trust or an investment holding company in which the director holds any or all of the voting rights and/or is a beneficiary of the trustnor is the director a beneficial owner, but it is recorded because the shares are held by a close relation to the director.

[(2)] Shares that are not held in the director's name, nor is the director a beneficial owner, but it is recorded because the shares are held by a close relation to the director.

Refer to note 35 on the directors' interest in shares as at 30 June 2020 and 30 June 2019 and relevant related party information.

There has been no change in the directors' interest between the financial year end (30 June 2020) and the date of approval of these annual financial statements.

6. Going concern

Based on the going concern assessment (refer to the Accounting policies note), the board believes that the group and the company have adequate resources to continue in operation for the foreseeable future and accordingly, the group annual financial statements have been prepared on a going concern basis. The board is not aware of any new material changes that may adversely impact the group. Through the successful amendment and extension of the company's existing debt facilities and the lender agreed divestment programme, the group has access to sufficient borrowing facilities and liquidity to meet its foreseeable cash requirements including possible prolonged periods of reduced operations due to Covid-19. The board is not aware of any material non-compliance with statutory or regulatory requirements. The board is not aware of any pending changes in legislation in any of the major countries in which it operates that may materially affect the group. Refer to the going concern section of the Accounting policies note for detailed disclosure on liquidity management and going concern assumptions.

7. Interests in subsidiaries

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

8. Events after the reporting period

Scitec disposal

The effective date of the Scitec disposal transaction was 31 July 2020, with all conditions precedent to the transaction that have been fulfilled and accordingly has become unconditional. The following businesses were disposed as part of the transaction:

- 100% of the registered capital of Scitec Ipari és Kereskeedelmi Kft
- 100% of the registered capital of Scitec International S.a.r.l
- 100% of the registered capital of Scitec Institute for Sport and Nutritional Science Ltd
- 100% of the registered capital of Colossal-Trade Kft.
- 100% of the registered capital of Nutribution España SLU
- 100% of the registered capital of Cytogen Sp Zoo
- 100% of the registered capital of STC Nutrition Romania S.R.L.
- 100% of the registered capital of Superwell-Hungary Kft.
- 100% of the registered capital of Scitec Nutrition UK Ltd
- 100% of the registered capital of Scitec USA Inc

The businesses were sold for a gross consideration of €5 million (R97.3 million based on a ZAR/€ exchange rate of R19.45 as at 30 June 2020). Net proceeds of €4.6 million (R89.5 million based on a ZAR/€ exchange rate of R19.45 as at 30 June 2020) were received in cash after deducting €0.4 million (R7.8 million based on a ZAR/€ exchange rate of R19.45 as at 30 June 2020) for tax payable on the pre-transaction carve out steps. Refer to note 31 for more details.

Ascendis Direct disposal

On 26 August 2020 the company concluded a sale of shares agreement in respect of the Ascendis Direct business for R10.5 million, with closing thereof on 31 August 2020. Refer to note 39 for more details.

The following businesses were disposed as part of the transaction:

- Ascendis Health Direct (Pty) Ltd
- Sportron International (Pty) Ltd
- Heritage Resources Limited
- K2012021382 (South Africa) (Pty) Ltd
- Swissgarde (Pty) Ltd

Reckitt Benckiser South Africa (Pty) Ltd (Reckitt) claim

During 2016 the Ascendis group acquired 100% of Akacia Healthcare Holdings, registration no: 1994/009657/07, which owned 100% of Akacia Healthcare (Pty) Ltd (Akacia Healthcare). Akacia Healthcare then changed its name to Ascendis Pharma (Pty) Ltd (Ascendis Pharma) on 23 August 2016. Ascendis Pharma at that time had an existing co-packaging agreement with Reckitt, whereby Ascendis Pharma was contracted to perform agreed upon services on behalf of Reckitt. Subsequently in October 2016, Reckitt cancelled the contract with Ascendis Pharma and proceeded to issue a claim for alleged damages totalling R54 million against Ascendis Pharma in early 2019.

8. Events after the reporting period (continued)

Ascendis Pharma has conceded on certain merits of the case, and Reckitt in turn, conceded on the levels of undelivered stock that will have a diminishing impact on the quantum of an element to its original claim. The final conclusion and quantum are not resolved at the date of this report. The matter is currently in arbitration between Ascendis Pharma and Reckitt. Management is providing their full cooperation in the arbitration process and continues to deal in good faith and seeks to resolve this matter.

Classification of Remedica as held for sale and discontinued operation

During the 2019 financial year, the group received an unsolicited offer in respect of the Remedica business. The group decided to dispose the business and was involved in negotiations with potential buyers. The business was classified as a discontinued operation and held for sale as at 30 June 2019. However, due to circumstances beyond the group's control, the negotiations were terminated during the final stages in December 2019. As a result, the business ceased to be classified as a discontinued operation and held for sale in the period under review. The June 2019 amounts have been restated in accordance with the requirements of IFRS 5. Refer to note 30 for more details.

Subsequent to 30 June 2020, the circumstances have changed whereby the disposal process of the Remedica business was launched through an open auction process after a detailed due diligence of the pharmaceutical dossiers and financial history and future forecasts have been completed. This is also in line with the required milestones of the group's refinanced debt facilities. The Remedica business will therefore be classified as held for sale and a discontinued operation from September 2020. As at 30 June 2020 Remedica's current year and comparative results have however been presented as part of continued operations.

Sun Wave Pharma deferred vendor liability payment

In respect of the liability for contingent consideration owing to the previous owners of Sun Wave Pharma, a payment of €2 million was made subsequent to the reporting date pertaining to the achievement of the EBITDA target for the year to August 2020. Please refer to note 20 for more details regarding the particulars of the deferred vendor liability.

Classification of Animal Health as held for sale and discontinued operation

Subsequent to 30 June 2020, the circumstances whereby the Remedica group (Remedica segment) is now in a state to be disposed of in its current condition after a detailed due diligence of the pharmaceutical dossiers and financial history and future forecasts have been completed. The disposal process of the Remedica business was launched through an open auction process. This is also in line with the required milestones of the group's refinanced debt facilities. The Remedica business will therefore be classified as held for sale and a discontinued operation from September 2020. The disposal is expected to be completed in the next 12 months. As at 30 June 2020 Remedica's current year and comparative results have however been presented as part of continued operations. As at 30 June 2020 Animal Health's current year and comparative results have however been presented as part of continued operations.

Sale of Dezzo Trading 392 (Pty) Ltd

Dezzo Trading 392 (Pty) Ltd has been classified as held for sale during the financial year ending 30 June 2020. During September 2020, a sales agreement was formally entered into for the disposal. The closing procedures in respect of the sale commenced before the approval of these group annual financial statements and the sale is expected to be concluded by no later than February 2021.

Appointment of Group Chief Financial Officer

On 13 October 2020, it was announced that the board of directors had appointed Cheryl-Jane Kujenga as Chief Financial Officer and executive director of the Ascendis Health Group with effect from 1 December 2020.

After qualifying as a chartered accountant, Cheryl-Jane held various positions within group finance and audit within a number of private and listed companies in South Africa.

Resignation of a board member

MS Bomela, an independent non-executive director and member of the board of directors provided notice of her resignation of such positions after the current reporting date and effective 31 October 2020.

Expected delay in conclusion of sale of the Biosciences business

Due to a change in circumstances subsequent to the reporting date, a delay to the initially anticipated finalisation date for a sales agreement for the disposal group held for sale (please refer to note 30 for more details) is expected. However management remains committed and aligned to its original planned date of conclusion of the disposal and therefore it is still expected for disposal to take place within 12 months after the current year reporting date.

9. Divestments

Biosciences

The Biosciences business comprising of Avima, KlubM5, Efekto, Marltons and Afrikelp was considered non-core to the group's strategy and hence were identified for divestment. The business was to be disposed as a single transaction, however the transaction has been split into two tranches. The first tranche of the transaction was completed on 31 July 2019 for a total consideration of R472.6 million and the disposal of the second tranche is currently in progress. The second tranche is expected to be completed within 12 months after the reporting date and so the business continues to be included as a disposal group held for sale and a discontinued operation (please refer to Note 30 for more information). The disposal proceeds from the first tranche were used to settle the bridging finance loan of R360 million obtained in March 2019 to fund working capital needs of the group. Refer to note 31 for more details.

10. Auditor

The audit & risk committee have recommended that PricewaterhouseCoopers Inc. be reappointed as the designated auditor of the group and company in terms of the resolution to be proposed at the 8th AGM in accordance with the Companies Act.

11. Secretary

A Sims (CA) SA retired as the group company secretary with effect from 30 June 2020. TM Nkuna (B Com, LLB) is the new group company secretary with effect from 1 July 2020.

The board expresses its sincerest appreciation for the dedication, effort and tremendous contribution of A Sims and wishes him well for the future. The board warmly welcomes TM Nkuna to her new role.

12. Dividends

The board of directors did not declare any interim or final dividend for the year ended 30 June 2020 (2019: Rnil).

The group's dividend policy is to pay a dividend that grows year on year, subject to the following:

- Dividend cover limited to the lesser of :
    - 8 x Adjusted EBITDA[PM] (Debt Covenant) or;
    - 6 x Profit after tax attributable to parent equityholders, adjusted for once off accruals.
- Subject to solvency & liquidity tests of the Companies Act.

13. Special Resolutions

There were no special resolutions passed at the AGM held on 5 February 2020 or during the rest of the financial year.

14. Covid-19

The board recognises the impact of the Covid-19 pandemic on society, the economy and financial markets.

In compliance with the national state of disaster, Ascendis employees have been allowed to work remotely, with only a limited number continuing to work from our premises as essential service workers and only when regulations allowed. The change to a remote working environment is well managed with performance and productivity supported and measured on a continuous basis.

The company implemented various workplace safety protocols and measures to ensure employees work in a safe and healthy environment. Employees were appropriately trained and continue to receive ongoing communication on Covid-19 awareness. Physical and social distancing is practiced with strict rules on wearing of face masks before entering group premises. Temperature readings and other necessary precautionary measures are enforced. Any legal and regulatory developments related to Covid-19 are communicated by our legal department on an ongoing basis. Employees who have tested positive for Covid-19 receive support from their management team who monitor their status.

The majority of the group's operations were regarded as essential services and were not directly impacted by lockdown regulations. The group's operations were affected differently depending on the sector they serve. Many operations saw customers build stock in March and April, followed by a subdued demand in May and June. Some production facilities were temporality closed on the occurrence of positive cases and for deep cleaning. Shift numbers were reduced to accommodate social distancing.

Some operations experienced logistical challenges within the supply chain, resulting in stock-outs and incomplete sales. Our Medical division secured interim funding of R87 million from the group's lender to purchase PPE and ventilators in support of South Africa's response to the pandemic.

A Covid-19 task force was established to operate as a central source of knowledge and reporting for Covid-19 impacts and consisted of representatives from across the group's support functions, including human capital, legal, operations and IT. In particular this task force managed and reported to executive management and the board on the direct costs of Covid-19 precautions in the workplace, the effectiveness of these precautions and the number and outcome of reported positive cases. The task force also managed Covid-19 communication throughout the group.

The group's risk department conducted a review to establish the impact of Covid-19 on all existing key risks and identify new Covid-specific risks, including an assessment of the probability, impact and controls or mitigating procedures implemented in relation to each of the risks.

The economic pressure, market disruption and volatility resulting from the Covid-19 pandemic has created uncertainty in our operating environment. At this stage, the impact of Covid-19 on the group's results is limited. The group has considered and accounted for the impacts of Covid-19 on the going concern assumption and on the measurement of assets and liabilities as at year end and up to the date of approval of the financial statements. This includes the impact on inventory, expected credit loss provisions, and the carrying values of goodwill and intangible assets. Refer to the relevant note in the group annual financial statements for more details.

Group statement of profit or loss and other comprehensive income

for the year ended 30 June 2020

	Notes	2020 R'000	Restated[1] 2019 R'000
Continuing operations			
Revenue	4	6 963 376	5 871 766
Cost of sales	5	(3 751 732)	(3 269 878)
Gross profit		**3 211 644**	**2 601 888**
Other income	5	27 964	85 978
Selling and distribution costs	5	(669 808)	(518 005)
Administrative expenses	5	(1 187 601)	(1 222 151)
Net impairment loss on financial assets	5	(40 270)	(25 713)
Other operating expenses	5	(792 325)	(560 619)
Impairment of non-current assets	5	(653 283)	(1 606 735)
Operating loss		**(103 679)**	**(1 245 357)**
Finance income	7	10 395	4 272
Finance costs	7	(865 858)	(407 376)
Loss before taxation		**(959 142)**	**(1 648 461)**
Tax credit/(expense)	8	56 570	(128 876)
Loss from continuing operations		**(902 572)**	**(1 777 337)**
Loss from discontinuing operations	30	(169 977)	(2 922 276)
Loss for the year		**(1 072 549)**	**(4 699 613)**
Other comprehensive income:			
Items that may be reclassified to profit and loss net of tax			
Foreign currency translation reserve		221 802	71 208
Effects of cash flow hedges		1 865	4 785
Fair value adjustments		(314)	515
Recycled to profit and loss		2 179	4 270
Non-controlling interest relating to items that may be reclassified		8 518	(10 072)
Income tax relating to items that may be reclassified		(522)	(1 340)
Items that will not be reclassified to profit and loss net of tax			
Revaluation of property, plant and equipment		13 768	8 251
Income tax relating to items that will not be reclassified		(1 721)	(2 310)
Other comprehensive income for the year net of tax		**243 710**	**70 522**
Total comprehensive loss for the year		**(828 839)**	**(4 629 091)**
Loss attributable to:			
Owners of the parent		(1 000 820)	(4 710 192)
Non-controlling interest	32	(71 729)	10 579
		(1 072 549)	**(4 699 613)**
Total comprehensive loss attributable to:			
Owners of the parent		(765 628)	(4 629 598)
Non-controlling interest		(63 211)	507
		(828 839)	**(4 629 091)**
Loss per share from continuing operations			
Basic and diluted loss per share (cents)	2	(174.0)	(374.4)
Total loss per share			
Basic and diluted loss per share (cents)	2	(209.6)	(986.4)

[1] The comparatives have been restated for the change in discontinued operations.

Group statement of financial position

at 30 June 2020

	Notes	2020 R'000	Restated[1] 2019 R'000	Restated[1] 1 July 2018 R'000
ASSETS:				
Property, plant and equipment	9	1 038 999	1 104 503	1 169 719
Right-of-use assets	10	319 953	-	-
Intangible assets and goodwill	11	5 674 700	5 335 329	9 833 747
Investments accounted for using the equity method		-	-	1 621
Derivative financial assets	33	-	-	114
Other financial assets	12	15 849	52 314	55 751
Deferred tax assets	13	94 849	124 714	91 700
Other Receivables	15	34 514	-	-
Non-current assets		**7 178 864**	**6 616 860**	**11 152 652**
Inventories	14	1 582 747	1 533 106	1 573 927
Trade and other receivables	15	2 321 597	1 890 343	1 871 775
Other financial assets	12	5 057	6 439	1 112
Current tax receivable	29	49 696	79 197	103 537
Derivative financial assets	33	961	135	30 848
Cash and cash equivalents	16	393 131	464 110	767 924
		4 353 189	3 973 330	4 349 123
Assets classified as held for sale	30	703 929	699 049	359 625
Current assets		**5 057 118**	**4 672 379**	**4 708 748**
Total assets		**12 235 982**	**11 289 239**	**15 861 400**
EQUITY:				
Stated capital	24	5 975 703	5 975 703	6 062 817
Reserves		243 226	(137 221)	(176 112)
Accumulated loss		(5 031 089)	(3 998 071)	726 011
Equity attributable to equity holders of parent		**1 187 840**	**1 840 411**	**6 612 716**
Non-controlling interest		104 666	168 693	161 515
Total equity		**1 292 506**	**2 009 104**	**6 774 231**
LIABILITIES:				
Borrowings and other financial liabilities	3	6 285 087	208 226	4 555 111
Deferred tax liabilities	13	362 468	521 274	491 908
Deferred vendor liabilities	20	1 103 108	154 475	876 386
Put-option on equity instrument	21	-	-	14 309
Lease liabilities	22	294 186	18 694	26 976
Contract liabilities	19	8 826	5 642	-
Employee benefit obligations	23	-	6 647	4 714
Non-current liabilities		**8 053 675**	**914 958**	**5 969 404**
Trade and other payables	17	1 550 745	1 377 327	1 325 019
Borrowings and other financial liabilities	3	540 123	5 544 782	939 272
Deferred vendor liabilities	20	34 499	896 798	422 969
Put-option on equity instrument	21	-	93 622	78 108
Provisions	18	91 087	63 217	92 853
Contract liabilities	19	37 294	8 423	-
Lease liabilities	22	55 192	12 747	15 099
Employee benefit obligations	23	-	-	12 180
Derivative financial liabilities	33	655	2 743	4 711
Current tax payable	29	80 683	123 963	83 128
Bank overdraft	16	49 148	66 995	81 301
		2 439 426	8 190 617	3 054 640
Liabilities classified as held for sale	30	450 375	174 560	63 125
Current liabilities		**2 889 801**	**8 365 177**	**3 117 765**
Total liabilities		**10 943 476**	**9 280 135**	**9 087 169**
Total equity and liabilities		**12 235 982**	**11 289 239**	**15 861 400**

[1] The comparatives have been restated for the change in discontinued operations and the TRS agreement with its related financial liability.

Group statement of changes in equity

for the year ended 30 June 2020

R'000	Stated capital[3]	Foreign currency translation reserve	Revaluation reserve	Hedging reserve	Put-option non-controlling interest reserve	Other reserves[2]	Retained Income/ (Accumulated loss)	Total attributable to equity holders of the group	Non-controlling interest	Total Equity
Balance as at 1 July 2018 (Restated)	**6 062 817**	**(74 856)**	**11 511**	**(5 660)**	**(114 650)**	**7 543**	**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	**6 062 817**	**(74 856)**	**11 511**	**(5 660)**	**(114 650)**	**7 543**	**691 913**	**6 578 618**	**161 515**	**6 740 133**
(Loss)/profit for the year	-	-	-	-	-	-	(4 710 192)	**(4 710 192)**	10 579	(4 699 613)
Other comprehensive income	-	71 208	5 941	3 445	-	-	-	**80 594**	(10 072)	70 522
Total comprehensive income/(loss) for the year	**-**	**71 208**	**5 941**	**3 445**	**-**	**-**	**(4 710 192)**	**(4 629 598)**	**507**	**(4 629 091)**
Net movement of treasury shares (Restated)[3]	(87 114)	-	-	-	-	-	-	(87 114)	-	(87 114)
Dividends	-	-	-	-	-	-	-	-	(13 211)	(13 211)
Foreign currency translation reserve	-	-	10	-	243	(174)	-	79	-	79
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(1 717)	(1 717)
Reclassification of reserves into retained earnings	-	-	-	-	-	518	(518)	-	-	-
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	25	25
Statutory reserve: Farmalider[1]	-	-	-	-	-	(42 300)	20 726	(21 574)	21 574	-
Total contributions by and distributions to owners of the Group recognised directly in equity	**(87 114)**	**-**	**10**	**-**	**243**	**(41 956)**	**20 208**	**(108 609)**	**6 671**	**(101 938)**
Balance as at 30 June 2019 (Restated)	**5 975 703**	**(3 648)**	**17 462**	**(2 215)**	**(114 407)**	**(34 413)**	**(3 998 071)**	**1 840 411**	**168 693**	**2 009 104**
IFRS 16 adjustment[4]	-	-	-	-	-	-	899	899	-	899
Adjusted opening balance as at 30 June 2019	**5 975 703**	**(3 648)**	**17 462**	**(2 215)**	**(114 407)**	**(34 413)**	**(3 997 172)**	**1 841 310**	**168 693**	**2 010 003**
(Loss)/profit for the year	-	-	-	-	-	-	(1 000 820)	(1 000 820)	(71 729)	(1 072 549)
Other comprehensive income/(loss)	-	221 802	12 047	1 343	-	-	-	235 192	8 518	243 710
Total comprehensive income/(loss) for the year	**-**	**221 802**	**12 047**	**1 343**	**-**	**-**	**(1 000 820)**	**(765 628)**	**(63 211)**	**(828 839)**
Dividends	-	-	-	-	-	-	4 226	4 226	(2 785)	1 441
Foreign currency translation reserve	-	-	1 886	-	(1 766)	12 796	-	12 916	-	12 916
Reclassification of reserves into retained earnings	-	(279)	-	872	21 106	15 287	(36 986)	-	-	-
Lapse of NCI put-option	-	-	-	-	95 067	-	-	95 067	-	95 067
Disposal/deregistration of subsidiary[5]	-	-	-	-	-	(406)	-	(406)	-	(406)
Disposal of non-controlling interest[6]	-	-	-	-	-	-	-	-	2 324	2 324
Statutory reserve: Farmalider[1]	-	-	-	-	-	692	(337)	355	(355)	-
Total contributions by and distributions to owners of the Group recognised directly in equity	**-**	**(279)**	**1 886**	**872**	**114 407**	**28 369**	**(33 097)**	**112 158**	**(816)**	**111 342**
Balance as at 30 June 2020	**5 975 703**	**217 875**	**31 395**	**-**	**-**	**(6 044)**	**(5 031 089)**	**1 187 840**	**104 666**	**1 292 506**

[1] Spanish law requires Farmalider to disitribute, at least annually 10% of the profit for the year until the statutory reserve is 20% of Farmalider's share capital.

[2] Refer to note 25 for more details on other reserves.

[3] Treasury shares acquired by Elixr Brands (Pty) Ltd for R5.4 million and treasury shares acquired by Ascendis Financial Services (Pty) Ltd in terms of the TRS agreement with Absa for R81.7 million. Refer to note 24 and the restatement section of the accounting policies note for more details.

[4] Refer to note 36 for more details.

[5] Change in control reserve released with deregistration of Atka Trading 46 (Pty) Ltd and Zasvin Trading (Pty) Ltd.

[6] Release of non-controlling interest on the disposal of entities. Refer to disposal of subsidiaries note 31 for more detail on the Biosciences tranche 1 disposal.

Group cash flow statement
for the year ended 30 June 2020

	Notes	2020 R'000	Restated[1] 2019 R'000
Cash flows from operating activities			
Cash generated from operations	26	753 689	580 819
Cash generated from operations - discontinued operations		10 364	16 715
Interest income received	7	10 395	4 238
Interest paid		(456 664)	(352 290)
Income taxes paid	29	(92 942)	(52 888)
Net cash inflow from operating activities		**224 842**	**196 594**
Cash flows from investing activities			
Purchases of property, plant and equipment		(212 547)	(246 321)
Proceeds on the sale of property, plant and equipment		12 612	38 555
Purchases of intangibles assets		(113 123)	(181 047)
Proceeds on the sale of intangible assets		3 057	3 009
Proceeds from disposal of subsidiaries - net of cash		423 996	158 094
Repayments on deferred vendor liabilities		-	(230 061)
Investment in other financial assets		(41 564)	(5 078)
Net cash outflow from investing activities - discontinued operations		(17 547)	(70 249)
Net cash inflow/(outflow) from investing activities		**54 884**	**(533 098)**
Cash flows from financing activities			
Payments made to acquire treasury shares		-	(5 401)
Proceeds from borrowings raised		834 670	605 763
Repayment of borrowings		(960 452)	(476 452)
Repayments on deferred vendor liabilities		(172 232)	-
Lease liabilities repaid	22	(55 793)	(16 917)
Dividends paid to minority interests		-	(2 005)
Net cash outflow from financing activities - discontinued operations		(10 878)	(537)
Net cash (outflow)/inflow from financing activities		**(364 685)**	**104 451**
Net decrease in cash and cash equivalents		**(84 959)**	**(232 053)**
Restricted cash balance at the beginning of the year		45 515	-
Other cash and cash equivalents balance at the beginning of the year		351 600	686 623
Cash and cash equivalents at beginning of year		397 115	686 623
Effect of exchange difference on cash balances		37 308	(992)
Cash and cash equivalents at the beginning of the year - assets held for sale	30	56 463	-
Cash and cash equivalents at end of year - assets held for sale	30	(61 944)	(56 463)
Restricted cash balance at the end of the year		75 057	45 515
Other cash and cash equivalents balance at the end of the year		268 926	351 600
Cash and cash equivalents at end of year	16	**343 983**	**397 115**

[1] The comparatives have been restated for the change in discontinued operations.

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 and Animal Health. The group's operations are geologically split across Southern Africa, Cyprus (Remedica), Hungary (Ascendis Wellness) and Spain (Farmalider). The group mainly focuses on supplying pharmaceutical and animal health products, as well as clinical and diagnostic medical devices.

Ascendis Health Limited is incorporated and domiciled in South Africa. Ascendis has a primary listing on the JSE Stock Exchange and a secondary listing on the A2X Exchange. Ascendis Health Limited is the ultimate parent company of the group.

Basis of preparation

The group annual financial statements as at 30 June 2020 comprise of the company and its subsidiaries (together referred to as the group) and the group's interest in equity accounted investments. The group annual financial statements have been audited in terms of the Companies Act. The audited group annual financial statements for the year ended 30 June 2020 have been prepared under the supervision of chief financial officer, Kieron Futter CA (SA).

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

The group adopted all the new accounting standards that became effective in the current reporting period. The following standards became effective during the current financial year and have impacted the group as indicated:

- IFRS 16 *Leases* – refer to note 36 for details of material change in accounting policies.
- IFRIC 23 *Uncertainty over Income Tax Treatments* – the standard did not have a material impact on the group in the current year as the group already recognised a current tax payable on uncertain income tax treatments.
- IAS 19 *Employee Benefits* – amendments on plan amendment, curtailment or settlement. The amendment, effective 1 July 2019, did not have any impact on the group as the group does not have defined benefit obligations.

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

The group and company annual financial statements are presented in South African Rand and all values are rounded to the nearest thousand (R'000), except where otherwise indicated.

The company annual financial statements have been separately prepared from the group annual financial statements. A copy of the company annual financial statements can be made available per request at the company's registered address.

Performance Measures

Performance measures (PM's) 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 PM's are used to improve comparability of information between reporting periods and segments by adjusting for infrequent items. The key PM's used by the group are Normalised EBITDA (refer to note 1), Normalised operating profit and Normalised headline earnings per share (refer to note 2) and Adjusted EBITDA. PM's 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 directors confirm that that there has been full compliance with the JSE's practice note 4/2019 as it relates to the PMs being presented. Detailed disclosure of the performance measures is included on the Ascendis Health website: https://ascendishealth.com/wp-content/uploads/2020/09/Ascendis-Health-Performance-Measures-30-June-2020.pdf.

Restatements for the year ended 30 June 2019

Restatement of comparative results - discontinued operations reclassified to continuing operations

At 30 June 2020 Biosciences, Ascendis Direct, and Scitec are presented as discontinued operations along with Dezzo Trading 392 (Pty) Ltd presented as a disposal group held for sale.

In the June 2019 group annual financial statements however, the group presented Biosciences, Ascendis Direct, Remedica and Ascendis Sports Nutrition as discontinued operations.

Therefore the 2019 comparative year has been restated to reflect a change in the plan to sell Remedica (hence forming part of continuing operations) as well as the classification of Scitec as a discontinued operation. The comparative information has been restated in accordance with IFRS 5 to reflect these changes. Refer to Note 30 for more details.

Restatement of comparative results - disclosure of revenue categories

It was identified in the current year that revenue generated from the sale of consumable goods during the financial year ending 30 June 2019 was initially disclosed and classified as rental income. Please refer to Note 4 for more details.

Restatement of comparative results - disclosure of goodwill summary per segment

The goodwill summary per business segment was restated in respect of the Consumer Health Africa and Sun Wave segments. The nature of the restatement was that a goodwill acquisition adjustment initially allocated to the Consumer Health Africa segment was identified to actually pertain to Sun Wave. The mis-allocation of the goodwill adjustment was first disclosed in the June 2019 group annual financial statements after being recognised in August 2018.

Therefore, the balance of Consumer Health Africa's goodwill was increased by R34.5 million and Sun Wave's goodwill decreased by the same amount. Please refer to Note 11 for more details.

Restatement of comparative results - disclosure of equity attributable to non-controlling interests

The equity attributable to non-controlling interests have been restated due to a misallocation between Farmalider and the individually immaterial subsidiaries with non-controlling interests. The balance of Farmalider increased with R22.5 million and the other non-controlling interest decreased by the same amount.

Please refer to Note 32 for the disclosure.

Restatement as a result of prior period error identified for the year ended 30 June 2019

The following prior period error has been restated retrospectively in terms of IAS 8.

Treasury share and corresponding liability pertaining to the long-term incentive scheme (LTI)

During 2020 the board took a decision to investigate the change in the funding structure of the LTI scheme (refer to note 23 for more details) and embarked on a process to explore the options available to the entity. During this process the board became aware that they had not appropriately accounted for a total return swap transaction entered into with ABSA Bank Limited (Absa) in July 2018. In accordance with the total return swap transaction, ABSA purchased shares from the market on behalf of Ascendis on loan account and holds such shares for the duration of the scheme. This transaction should have been accounted for as a treasury share acquisition executed via a third-party agent with a corresponding liability due to Absa.

Given the scheme was initiated in the 2019 financial year, stated capital (treasury shares) and borrowings and other financial liabilities have been restated as presented below.

The error required the restatement of previously disclosed basic, diluted and headline earnings per share as the weighted average number of shares reduced by 7,312,433 shares. Please refer to Note 2 for more detail in this regard.

Restatement as a result of prior period error identified for the year ended 30 June 2018

Equity price variance reserve reclassification

In the 2017 financial year, Ascendis raised capital by way of a rights offer to qualifying shareholders, private placements and a general issuance of shares.

As a result, an equity price variance reserve was recognised from the subscription price for the shares in excess of par value of the shares at the point in time. The error was identified to be an incorrect classification of equity due to shares in South African companies to be issued at their fair value represented by the issue price and the par value of shares issued no longer being applicable.

Therefore, in the current year it was identified that the equity price variance reserve forming part of reserves as per the Statement of Financial Position should have been initially recognised in stated capital in order for the proceeds from the share issuances to be recognised at their fair value depicted by the subscription price.

The impact of the prior period error is a decrease in stated capital of R450.1 million and a corresponding increase in reserves of the same amount.

The impact of the restatements and prior period errors are set out below:

June 2019 Statement of profit or loss and other comprehensive income	Reported R'000	Restatements Discontinued operations Remedica R'000	Restatements Discontinued operations Scitec R'000	Prior period errors Equity price variance reserve R'000	Prior period errors Treasury shares R'000	Restated R'000
Revenue	5 574 499	1 543 270	(1 246 003)	–	–	**5 871 766**
Cost of sales	(3 185 270)	(935 727)	851 119	–	–	**(3 269 878)**
Gross profit	**2 389 229**	**607 543**	**(394 884)**	**–**	**–**	**2 601 888**
Expenses	(6 648 397)	(232 010)	3 033 162	–	–	**(3 847 245)**
Net finance cost	(372 535)	(30 691)	122	–	–	**(403 104)**
Income tax	(122 989)	(13 146)	7 259	–	–	**(128 876)**
Loss from continuing operations	**(4 754 692)**	**331 696**	**2 645 659**	**–**	**–**	**(1 777 337)**
Profit/(loss) from discontinued operations	94 885	(371 502)	(2 645 659)	–	–	**(2 922 276)**
Loss for the year	**(4 659 807)**	**(39 806)**	**–**	**–**	**–**	**(4 699 613)**
Total operations - Basic loss per share (cents)	**(963.3)**	(8.3)	–	–	(14.7)	**(986.4)**
Total operations - Basic headline loss per share (cents)	**(39.6)**	(8.3)	–	–	(0.6)	**(48.5)**

June 2019 Statement of financial position	Reported Including equity variance reclassification R'000	Restatements Discontinued operations Remedica R'000	Restatements Discontinued operations Scitec R'000	Prior period errors Equity price variance reserve R'000	Prior period errors Treasury shares R'000	Restated R'000
Property, plant and equipment	541 063	563 440	–	–	–	**1 104 503**
Intangible assets and goodwill	2 401 039	2 934 290	–	–	–	**5 335 329**
Other financial assets	58 171	582	–	–	–	**58 753**
Inventory	1 109 213	423 893	–	–	–	**1 533 106**
Trade and other receivables	1 180 027	710 316	–	–	–	**1 890 343**
Current tax receivables	65 482	13 715	–	–	–	**79 197**
Cash and cash equivalents	292 481	171 629	–	–	–	**464 110**
Assets classified as held for sale	5 558 679	(4 859 630)	–	–	–	**699 049**
Borrowings and other financial liabilities	(5 506 771)	(164 525)	–	–	(81 712)	**(5 753 008)**
Deferred tax liabilities	(367 995)	(153 279)	–	–	–	**(521 274)**
Trade and other payables	(982 554)	(394 773)	–	–	–	**(1 377 327)**
Deferred vendor liabilities	(416 307)	(634 966)	–	–	–	**(1 051 273)**
Provisions	(53 163)	(10 054)	–	–	–	**(63 217)**
Bank overdraft	(27 464)	(39 531)	–	–	–	**(66 995)**
Liabilities classified as held for sale	(1 573 646)	1 399 086	–	–	–	**(174 560)**
Stated Capital	(6 057 415)	–	–	–	81 712	**(5 975 703)**
Reserves	137 221	–	–	–	–	**137 221**
Retained earnings	(3 958 265)	(39 806)	–	–	–	**(3 998 071)**

The impact of the restatements and prior period errors are set out below:

June 2018 Statement of financial position	Reported R'000	Restatements Discontinued operations Remedica R'000	Restatements Discontinued operations Scitec R'000	Prior period errors Equity price variance reserve R'000	Prior period errors Treasury shares R'000	Restated R'000
Stated capital	(6 512 930)	–	–	450 113	–	**(6 062 817)**
Reserves	626 225	–	–	(450 113)	–	**176 112**

Going concern

In determining the appropriate basis of preparation of the group annual financial statements, the directors are required to consider whether the group and company can continue in operational existence for the foreseeable future, being at least the 12 months following 30 June 2020.

The restructuring of Ascendis' debt facilities and the advance of new facilities by the lenders in June 2020 created additional liquidity, while introducing obligations on the directors to achieve specified divestment milestones and financial covenants.

In arriving at their conclusion regarding the appropriateness of the going concern basis for the preparation of the group and company annual financial statements, the directors considered the group's forecast liquidity position, which is predicated on the following assumptions and inputs:

- The group is able to meet its continuing obligations in terms of the restructure of its existing debt facilities and the advance of new debt facilities, including the covenant targets for the total net debt/adjusted EBITDA ratio. For further details concerning the group’s borrowings refer to note 3;
- The granting, by the lender consortium, of waivers or delay waivers on the achievement of certain milestones related to the divestment programme;
- The financial position of the group at 30 June 2020 and available financial resources at that date;
- The budget and cash flow forecasts to 30 June 2021;
- The sustainability of each of the business units, their operating models and the risks thereto;
- Ongoing progress of the group's divestment programme in monetising selected investments;
- Continued engagement with the Sun Wave, Remedica and Kyron vendors. The group has not met its payment obligations in terms of certain deferred vendor payments as recorded in note 20. The Remedica and Kyron deferred vendor payments are subordinated to the group’s senior debt;
- The current regulatory environment and potential changes thereto;
- The South African and European economic outlook; and
- The impact of Covid-19 on its operations and the economic environment.

The group’s results for the 2020 financial year reflect a significant improvement over the prior year despite the Covid-19 pandemic and the reduced economic activity resulting from government-imposed lockdowns. Improved performances were reported from across the group.

At 30 June 2020 the group’s total assets of R12.2 billion exceeded total liabilities of R10.9 billion by R1.3 billion (2019 restated: R2.0 billion) and current assets exceeded current liabilities by R2.4 billion (2019 restated: current liabilities exceeded current assets by R3.7 billion).

Liquidity and performance in the 2020 financial year

Liquidity remained constrained for most of the year primarily because of the group’s inability to conclude the planned disposal of Remedica. Although still cash positive, the group has limited free cash at year end, compounded by the restricted cash balances as detailed in note 16. With the support and commitment of the group’s lender consortium, the group continued to operate, although cash management has required constant attention and capital expenditure has sometimes been postponed or cancelled.

For most of year the group’s lenders and Ascendis had an interim stability agreement in place to allow for the planned disposal of Remedica to be completed without any debt capital payments needing to be made. This agreement also provided a waiver of all covenant breaches.

Further, the lenders consented to R360 million of the R473 million proceeds from the sale of Efekto, Marltons and Afrikelp to being used for the company’s working capital requirements to improve the liquidity position. A bridge loan of R360 million was made on 2 May 2019 and repaid on 31 July 2019 when the sale of five of the group’s Biosciences business was closed.

On 5 June 2020, the company concluded an amend and extend agreement with its lender consortium to restructure its existing debt facilities and provide the advance of new debt facilities. In this Debt Refinance agreement, Ascendis and its lenders agreed to extend the repayment obligations on its debt facility to December 2021, with no payments required in advance of that date, other than any excess cash, beyond the group's cash requirement, being swept to the lenders. This extension provided, and will continue to provide, the group with the flexibility to continue its operations while maximising the value of the businesses it seeks to monetise according to its divestment programme. Successful completion of this programme will see the group return to much more manageable levels of gearing while continuing to create value for its broad group of stakeholders.

Despite the liquidity challenges and the impacts of the Covid-19 pandemic in the last quarter of 2020 financial year, the financial position of the group strengthened during the year driven by the following factors:

- All business units, other than Pharma Africa, reported a year on year increase in EBITDA
- Strong operational performance from Remedica with sales increasing by 40% and EBITDA increasing by 53% (including the benefit on translation of the Rand weakening over the year). The successful award of an ARV tender in Mexico and the introduction of a National Health Insurance Scheme in Cyprus drove international and local sales. Production efficiencies and the Covid-19 related sales of chloroquine positively impacted sales and margins in the last quarter
- Sun Wave, the Romanian subsidiary, focused on top brands and medico-marketing activities, growing revenue by 22% and EBITDA by 43% again considering the impact of a weakening Rand. Fewer doctor visits in the last quarter due to Covid-19 negatively impacted sales during the Covid-19 related lockdown
- Locally, the Medical Devices businesses reported a 15% growth in revenue and a 49% increase in EBITDA. Higher sales were reported because of Covid-19 and a once off tender in the Respiratory Care Africa division. These offset lower volumes in Surgical Innovations and the Ortho businesses due to a reduction in elective surgeries. Higher margins were achieved in the Respiratory Care Africa and the Scientific Group divisions
- Animal Health also reported a strong year driven by new tender business until the fourth quarter. Lower sales in the last quarter resulted in only a 5% growth in sales for the full year although improved margins and cost controls saw the division report a 53% increase in EBITDA and
- The consumer brands business in Australia was discontinued during this financial year.

The anticipated disposal of Remedica during the 2020 financial year was not concluded as the parties could not agree key terms for the transaction. Ascendis remains committed to deleveraging its balance sheet through the disposal of certain assets (including Remedica) at prices reflective of the underlying value of those assets to safeguard shareholder value. Remedica remains a high-quality business that delivers a sizeable portion of the group's earnings growth and cash flow.

The Debt Refinance agreement includes the advance of additional facilities including a super-senior facility of €6.9 million and R217 million. This super-senior facility will finance the company's general liquidity needs and finance the payment of certain outstanding deferred vendor liabilities. R87 million of these additional facilities was advanced to fund the procurement of essential medical equipment for the sales to private and public healthcare sectors in the fight against Covid-19 in April 2020.

Liquidity and capital management

To address the risk of short-term cash pressure, management prepares annual budgets for each business unit and head office. It regularly updates its robust liquidity model which includes cash flow forecasts covering a period of 18 months from the date of these group annual financial statements. This model is used as the basis of monthly reporting to the lender consortium.

The group continues to maintain an acceptable liquidity position through cash flow generated by the business, cash on the balance sheet and access to long term committed facilities. This group liquidity model is a bi-weekly consolidation of the group's individual divisions' cash flow forecasts, which are based on estimated free cash from operations. Cash flow forecasts are prepared weekly and reviewed by management. Actual cash flows are evaluated against forecast expectations and variances monitored. Progress made on liquidity improvement projects and cash forecasts and any variances are presented to the board on a monthly basis.

To address future possible cash outflows, performance and liquidity operational improvement initiatives have been developed and continue to be implemented. These initiatives have been designed to improve efficiencies, restructure and right size certain areas of the group and drive cost savings and cash preservation throughout. Notable successes include:

- Office space was consolidated in some of the group's businesses
- Head office costs were reduced through a restructuring exercise resulting in the closure of the group marketing function and the European office. The executive leadership team was reduced
- The deferral of non-essential expenditure and expansion capital expenditure as necessary
- Bi-weekly meetings to monitor the group's working capital and its moving 13-week cash requirements have been implemented
- The disposal of Scitec was finalised. The results of this loss-making and cash intensive subsidiary have been reported under discontinued operations for the full year. The effective date of the disposal was 31 July 2020. The net proceeds of the transaction (approximately R60 million) were applied toward reducing the Ascendis Health senior debt
- The partial disposal of the Bioscience division (including Efekto, Marltons and Afrikelp) was concluded in July 2019
- The loss-making Direct Selling business disposal was finalised on 31 August 2020 and
- The consumer brands business in Australia was closed during the year.

Divestment programme

A key judgement applied in arriving at the going concern conclusion relates to the expected timing and progress made in the divestment process to dispose of certain assets according to certain key milestones imposed by the lenders.

The group remains committed to its short-term priority to complete the balance sheet restructure. The sale of non-core assets is being accelerated and the group is committed to maximising value from the sale of businesses. The status of the divestment programme initiatives in terms of the Debt Refinance agreement are summarised below:

- Direct Selling: Complete. Closed on 31 August 2020. The proceeds amounted to R10.5 million and was applied to the group's senior debt.
- Dezzo Trading 392 (Pty) Ltd: Due diligence completed and tender submitted. Key commercial terms agreed. Expected to close before February 2021.
- Biosciences: Right of first refusal and exclusivity agreement. Due to a change in circumstances subsequent to the reporting date, a delay to the initially anticipated finalisation date for a sales agreement is expected, however management remains committed and aligned to its original planned date of conclusion. Therefore still expected for disposal to take place within 12 months after reporting date.
- Animal Health: Advisor appointed. Approaching of prospective bidders commenced. Investment memorandum completed. Expected to close during the first half of 2021.
- Medical Devices: The appointment of an advisor has been delayed with the lenders consent. The completion of this disposal is not expected to be concluded until late in 2021.
- Scitec: Completed. The net proceeds of approximately R60 million were received in July 2021 and applied towards reducing the senior debt facilities.
- Sun Wave: Agreement that the outstanding deferred vendor payment will be paid from cash flows. The contract of incumbent CEO extended to ensure continuity of operations.
- Remedica: Various options to this disposal are being considered. Closing targeted for mid-2021. Preparation for the auction process is complete.
- Farmalider: Ongoing discussions with the non-controlling shareholders following the expiry of the put option detailed in note 21.

The group's executive committee is responsible for the realisation of these divestment milestones and monitor these on a weekly basis. Verbal feedback to the lender consortium is provided fortnightly.

Ascendis proactively approached the lender consortium for a total of nine waivers or delays relating to specific tasks and deadlines as provided for in the debt finance agreement. The lenders have demonstrated their continued support to the group's divestment programme by granting six of these requests and the remaining three are under consideration. The directors are confident that these outstanding waivers will be granted.

Solvency and Liquidity position at 30 June 2020

The finalisation of the Debt Refinance agreement allowed the transfer of long-term borrowings from current to non-current liabilities which is reflected in the group's much-improved current and quick ratios. However, this agreement also provided additional funds to the group. Together with the deferred and contingent consideration arrangements, the group's net debt increased by R1.43 billion to R7.96 billion at 30 June (2019: R6.53 billion). Approximately R324 million of this increase is due to the adoption of IFRS16: *Leases* and the capitalisation of lease liabilities.

At 30 June 2020, the group's consolidated cash and cash equivalents totalling R393 million (including restricted cash of R75 million), is down from R464 million at 30 June 2019. The group settled bank debt liabilities of R960 million and invested R326 million in capital expenditure and intangible assets.

In terms of the Debt Refinance agreement management is required to provide the lender consortium with a quarterly covenant certificate. The certificate only requires a single financial covenant ratio: total net debt/adjusted EBITDA (adjusted EBITDA is defined as the last twelve months' EBITDA (including 12 months EBITDA for acquisitions made in the last twelve months and excluding EBITDA for disposals in the last twelve months)). The lender consortium has set quarterly targets for this ratio from the period 30 June 2020 to the repayment date of 31 December 2021. At 30 June 2020, the target ratio was less than or equal to 5.9x. Ascendis achieved a ratio of 4.5x, reflecting a significant improvement on the 6.4x at 30 June 2019.

Covid-19

On 11 March 2020, Covid-19 was declared a pandemic by the World Health Organisation. The pandemic caused high levels of anxiety and uncertainty for all our stakeholders as the world faced a significant humanitarian crisis, with the virus continuing to spread across the globe and in South Africa. Government imposed lockdowns were introduced in all countries in which Ascendis operates, resulting in recessionary economic environments in these countries. South Africa has been subject to government-imposed lockdown restrictions for nearly 200 days, with Covid-19 related deaths surpassing 15 000.

At the time of considering the appropriateness of the going concern basis, it appears that most of the world has successfully responded to the initial surge of the virus and is now managing to control and restrict further outbreaks of the virus. Hard lockdowns have been lifted in most countries in which they were implemented with regional lockdowns imposed where infection rates show an increase above certain levels. The lockdowns allowed the medical sector to reserve and/or build additional capacity to deal with Covid-19 cases and the treatment of infected persons now has increased survival rates.

These responses have had considerable negative impacts on the global and local economy. Central banks have responded to the economic risks by lowing interest rates and increased money supply. While this response has seen stock markets surge, economic activity has declined and unemployment increased drastically. The opening of economies has had to be balanced with the risk of further infections.

The pandemic impacted the Ascendis operations although not as severely as originally anticipated. Most of the group's businesses in South Africa were deemed essential and allowed to continue (to the extent lockdown allowed). The international businesses fared even better during the outbreaks in Spain, Romania and Cyprus.

The primary impacts include of Covid-19 include:

- Restricted access to inventory due to port and shipping delays;
- Restricted access to customers through hard lockdowns of retail salons and access to medical facilities;
- Higher costs associated with precautions to ensure employee safety, ranging from the supply of PPE to data costs related to the group's work from home policy;
- Cost savings were realised following lower levels of travel and marketing across the group;
- The group announced no redundancies because of the pandemic;
- Limited production facility closures due to virus cases amongst employees and deep cleaning;
- Lower sales in the last quarter of the financial year, due to the unavailability of inventory or lockdown restrictions, were experienced predominantly in the Consumer Health, Animal Health and Biosciences segments. Many of the lost sales were replaced in the first two months of the new financial year;
- The postponement of elective surgeries impacted on sales across the Medical Devices segment although opportunities to supply PPE and other equipment related to treating the virus were maximised; and
- Except for the economic outlook impact on the determination of expected credit losses, the group has not modified any of its critical accounting estimates or judgements.

The overall impact of the pandemic to the assessment of the group's ability to continue as a going concern is considered negligible although a heightened level of uncertainty remains.

Conclusion

The events, conditions, judgements and assumptions described above give rise to a material uncertainty 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 continued support of its lenders, investors and customers and the progress and plans for the disposal of several of the group's operating units. Executive management are committed to achieving these disposals within the time frames set by the lenders and believe that the group will be able to meet its obligations in terms of the Debt Refinance agreement to settle all senior debt on or before 31 December 2021 as required. 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 group annual financial statements.

Principal accounting policies

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

Principal accounting policies (continued)

Consolidation of subsidiaries

The group annual financial statements include the financial statements of the company and its subsidiaries and structured entities deemed to be controlled by the group. Consolidation of a subsidiary begins when the group obtains control (acquisition date) over the subsidiary and ceases when the group loses control (disposal date) over the subsidiary. The group controls an entity when it is exposed or has rights to the variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether control exists, the group considers all existing substantive rights that result in the current ability to direct relevant activities.

All intercompany transactions, balances and unrealised gains and losses on transactions between the group companies are eliminated on consolidation.

The financial results of the subsidiaries, including those with a different reporting period, are prepared for the same reporting period as the group, using consistent accounting policies. Accounting policies of subsidiaries have been changed, where necessary, to align any differences in the accounting policies with those of the group.

Investments in subsidiaries in the company's annual financial statements are accounted for at cost, less any accumulated impairment losses.

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and comprehensive income, statement of balance sheet and statement of changes in equity, respectively. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interests having a deficit balance.

In the group statement of profit or loss and other comprehensive income of the reporting period, and of the comparable period, income and expenses from discontinued operations are reported separately from the income and expenses from continuing activities, down to the level of profit after taxes, even when the parent retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in profit or loss and other comprehensive income.

Principal accounting policies (continued)

Foreign currency

The group annual financial statements are presented in South African Rand (Rand), which is the group's presentational currency and the company's functional currency. Each foreign entity in the group determines its own functional currency. The group owns the following entities which operate in primary economic environments that are different to the group:

- Farmalider – Spain
- Remedica – Cyprus
- Scitec – Hungary
- Ascendis Wellness – Romania
- Ascendis Health International Holdings – Malta
- Ascendis Financial Services International - Luxembourg
- Ascendis Financial Services Europe - Cyprus

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

Translations and balances

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

Group companies

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

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

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

Significant estimates and accounting judgements

In preparing these group annual financial statements, management made estimates and accounting judgements 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 group annual financial statements.

Significant estimates and judgements were made on the following items:

Key estimates

- Estimation of inventory obsolescence allowance (Note 14).
- Estimation of fair values of land and buildings (Note 9).
- Estimation of the expected credit loss allowance (Note 33.4).
- Future forecasts - assessing going concern and the impact of Covid-19 (refer to going concern section above).
- Estimation of legal provisions and assessment of likely outcome of the legal provisions (Note 18).
- Impairment testing and allocation of cash-generating units (Note 11).
- Allocation of impairments to classes of intangible assets (Note 11).
- The useful lives and residual values of property, plant and equipment and intangible assets (Note 9 and Note 11).
- Leases incremental borrowing rate (Notes 22 and 36).
- Leases renewal and termination options (Notes 22 and 36).
- The useful lives of right-of-use assets associated to leased assets (Notes 10 ; 36).
- Recoverability of deferred tax assets (Note 13).

Accounting judgements

- Revenue recognition (Note 4).
- Lease and non-lease components (Notes 22 and 36).
- Assessment and conclusion of control and the effective date of disposal when control is lost (Note 32).
- Classification of operations as discontinued operations (Note 30).
- Determination of extinguishment or modification of group debt facilities after amend and extend agreement (Note 3).

New standards/amendments that have been published but not yet effective

It is anticipated that the group will adopt the amendment on their respective effective dates.

STANDARD	SCOPE	POTENTIAL IMPACT TO THE GROUP
IFRS 7 – *Financial instruments*: Disclosures and IAS 39 - *Financial Instruments*: Recognition and Measurement 1 January 2020	***Interest Rate Benchmark Reform***: The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision for useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.	The amendment is unlikely to have a material impact as the group does not apply hedge accounting.

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INTERPRETATION	SCOPE	POTENTIAL IMPACT TO THE GROUP
IAS 1 *Presentation of Financial Statement and* IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* 1 January 2020	***Definition of Material***: The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.	The amendment is unlikely to have a material impact on the group. This is because the principles introduced with the changes in the definition of material were inherently considered in defining material information by management prior to the revision and consistently applied in the current year. Specific to each principle amendment: • Obscuring: this was already considered as a concept of misstatement before being a specific inclusion to the definition. • Reasonably expected to influence: the interpretation of the previous iteration as "could influence" encompassed understanding that it is expected to influence ones decision. • Primary Users: by applying the understanding of the previous iteration of just "users", the primary users have inadvertently already considered the primary users.

INTERPRETATION	SCOPE	POTENTIAL IMPACT TO THE GROUP
IFRS 3 *Business combinations. Amendment effective to business combinations for which acquisition date is on or after* 1 January 2020	***Definition of a Business***: aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.	The amendment is unlikely to have a material impact on the group as there were no acquisitions that occurred after the effective date in the current year.

1. Group segmental analysis

The group has five core health care areas, namely Pharma, Medical, Consumer Health, Animal Health and Biosciences. The core health care areas are split into nine reportable segments that are used by the group executive committee as 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 30 for more details on discontinued operations). The 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 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 consumer products. This division includes three reportable segments:
  - **Consumer Health Africa segment**: operating predominantly in the South African market.
  - **Scitec segment**: operating predominantly in the European market.
  - **Sun Wave segment**: operating predominantly in Romania.
- **Pharma**, incorporating Ascendis' pharmaceutical products. This division includes three reportable segments:
  - **Pharma Africa segment**: operating predominantly in the South African market.
  - **Remedica segment**: operating predominantly in the European market.
  - **Farmalider segment**: operating predominantly in Spain.
- **Medical**, incorporating the supply of medical devices and consumables. The segment is operating predominantly in South Africa.
- **Animal Health**, incorporating manufacturing and distribution of animal health products. The segment is operating predominantly in South Africa.
- **Biosciences**, incorporating manufacturing and distribution of crop protection, public pesticides and equipment. The segment is operating predominantly in South Africa.

The Head office is not an operating segment as it relates to all costs incurred at a group level. The Head office supports all group support functions such as 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.

There are no material inter-segment revenue.

Due to changes in the classification of discontinued operations (refer to note 30 for more details), information relating to the comparative periods has been restated.

1. Group Segmental Analysis (continued)

Revenue split by segment	2020 R'000	Restated[(1)] 2019 R'000
Consumer Health	2 753 486	2 701 391
Africa	687 559	738 569
Scitec	1 188 607	1 246 002
Sun Wave	877 320	716 820
Pharma	3 495 112	2 754 905
Africa	700 183	632 288
Remedica	2 176 186	1 543 270
Farmalider	618 743	579 347
Medical	1 464 111	1 268 084
Animal Health	488 973	466 957
Biosciences	336 258	856 552
Other	3 984	7 877
Less: Discontinued operations	(1 578 548)	(2 184 000)
Total revenue	**6 963 376**	**5 871 766**

Revenue by geographical location	2020 R'000	Restated[(1)] 2019 R'000
South Africa	3 677 084	3 938 318
Cyprus	2 176 186	1 543 270
Spain	618 743	579 347
Hungary	1 188 607	1 270 134
Romania	877 320	716 820
Other	3 984	7 877
Less: Discontinued operations	(1 578 548)	(2 184 000)
Total revenue	**6 963 376**	**5 871 766**

[(1)] The comparatives have been restated for the change in discontinued operations.

Revenue by customer destination	2020 R'000	2019 R'000
Africa	3 963 470	4 131 878
South Africa	3 317 596	3 554 050
Rest of Africa	645 874	577 828
Europe	3 534 597	3 112 435
Romania	905 060	747 621
Spain	589 790	524 184
Germany	301 590	298 424
Hungary	213 543	218 899
France	197 195	260 896
Cyprus	239 570	87 018
Other	1 087 849	975 393
Asia Pacific	678 129	601 983
Asia	633 654	554 180
Australia	26 841	29 433
New Zealand	17 634	18 370
United Kingdom	87 442	81 842
South America	258 751	94 797
North America	19 535	32 831
Less: Discontinued operations	(1 578 548)	(2 184 000)
Total revenue	**6 963 376**	**5 871 766**

1. Group segmental analysis (continued)

The group has an 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 and revenue by customer destination represents the domicile of the customer.

21% of the group's revenue is generated through the wholesale and retail market (2019: 34%). In this market, 2% (2019: 1%) of the total group revenue is derived from a single customer and 5% (2019: 12%) of the group's revenue is generated from government institutions (local and international).

The group evaluates the performance of its reportable segments based on normalised EBITDA[PM] (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 Executive committee (EXCO) for purposes of making decisions about allocating resources to the segment and assessing its performance. The percentage disclosed represents the normalised EBITDA[PM]/revenue margin.

Normalised EBITDA[PM] split by segment	**2020 R'000**	**2020 %**	**Restated[(1)] 2019 R'000**	**Restated[(1)] 2019 %**
Consumer Health	342 421	12%	158 184	6%
Africa	35 550	5%	(20 194)	-3%
Scitec	61 163	5%	6 111	0%
Sun Wave	245 708	28%	172 267	24%
Pharma	750 215	21%	550 417	20%
Africa	(45 488)	-6%	(2 401)	0%
Remedica	731 378	34%	476 625	31%
Farmalider	64 325	10%	76 193	13%
Medical	143 010	10%	96 075	8%
Animal Health	124 681	25%	81 408	17%
Biosciences	18 116	5%	107 927	13%
Head office	(141 592)	-	(129 710)	-
Other	197	5%	(37 104)	-471%
Less: Discontinued operations	(55 765)	4%	(77 821)	4%
Total normalised EBITDA[PM]	**1 181 283**	**17%**	**749 376**	**13%**
Non-controlling interest proportionate share	(29 019)		(30 138)	
Total normalised EBITDA[PM] attributable to the parent	**1 152 264**		**719 238**	

(1) The comparatives have been restated for the change in discontinued operations.

1. Group segmental analysis (continued)

Reconciliation of normalised EBITDA[PM] to consolidated results	2020 R'000	Restated[(2)] 2019 R'000
Consolidated loss before taxation from continuing operations	**(959 142)**	**(1 648 461)**
Finance income	(10 395)	(4 272)
Finance expense	865 858	407 376
Total impairment, amortisation and depreciation	1 020 380	1 870 486
Acquisition of businesses costs * [(1)]	24 225	14 494
Disposal of businesses costs *	70 519	28 161
Restructuring and retrenchment costs *	233	13 386
Debt/capital restructuring costs *	155 281	83 590
Profit on disposal of Isando manufacturing plant	-	(17 355)
Impairment of investment *	14 324	1 971
Non-controlling interest proportionate share	(29 019)	(30 138)
Total normalised EBITDA[PM] attributable to the parent	**1 152 264**	**719 238**

(1) The acquisition costs in 2020 and 2019 relates to previous and a potential future business acquisition.
(2) The comparatives have been restated for the changes in discontinued operations.
* These reconciling items are excluded from EBITDA for performance measurement purposes.

Net finance cost split by segment	2020 R'000 Finance income	2020 R'000 Finance expense	Restated[(1)] 2019 R'000 Finance income	Restated[(1)] 2019 R'000 Finance expense
Consumer Health	794	(40 389)	760	(15 383)
Africa	48	(5 076)	181	(3 006)
Scitec	-	(2 524)	-	(146)
Sun Wave	746	(32 789)	579	(12 231)
Pharma	3 123	(39 926)	63	(37 120)
Africa	116	(524)	8	(1 122)
Remedica	2 919	(33 087)	55	(30 742)
Farmalider	88	(6 315)	-	(5 256)
Medical	479	(20 527)	362	(629)
Animal Health	49	(2 498)	356	(1 985)
Biosciences	96	(3 702)	661	(1 187)
Head Office	5 951	(765 501)	2 734	(352 380)
Other	-	(3)	10	(6)
Less: Discontinued operations	(97)	6 688	(674)	1 314
Total finance income/(cost)	**10 395**	**(865 858)**	**4 272**	**(407 376)**

(1) The comparatives have been restated for the change in discontinued operations.

Finance income and finance costs are managed centrally through the group's treasury function housed within Ascendis Financial Services (included in Head office) and Scitec (Consumer Brands Europe). Due to the impending sale of Scitec the finance costs relating to the group debt facilities are recorded in the Head Office segment. The group debt facilities were carved out from the Scitec balance sheet on 21 July 2020 before the disposal of Scitec was concluded on 31 July 2020. The EXCO evaluates the finance income and expenses based on utilisation of loans payable and receivable with Ascendis Financial Services.

1. Group segmental analysis (continued)

Tax expense split by segment	2020 R'000	Restated[1] 2019 R'000
Consumer Health	25 777	62 641
Africa	978	27 225
Scitec	1 453	10 818
Sun Wave	23 346	24 598
Pharma	(10 019)	24 530
Africa	1 742	5 675
Remedica	3 882	13 146
Farmalider	(15 643)	5 709
Medical	(100 366)	23 356
Animal Health	16 733	29 985
Biosciences	(1 676)	32 033
Head office	14 266	-
Less: Discontinued operations	(1 285)	(43 669)
Total consolidated tax (credit)/expense	**(56 570)**	**128 876**

[1] The comparatives have been restated for the change in discontinued operations.

(b) Statement of financial position measures applied

	2020 R'000		Restated[1] 2019 R'000	
Assets and liabilities split by segment	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Consumer Health	2 337 547	(5 180 246)	2 287 255	(3 505 775)
Africa	550 903	(189 915)	696 315	(144 884)
Scitec - held for sale	375 435	(4 625 527)	505 481	(2 928 556)
Sun Wave[2]	1 411 209	(364 804)	1 085 459	(432 335)
Pharma	7 142 567	(2 561 066)	5 810 200	(2 858 653)
Africa	346 638	(242 531)	406 238	(195 040)
Remedica	6 187 940	(1 743 620)	4 817 897	(2 135 238)
Farmalider	607 989	(574 915)	586 065	(528 375)
Medical	1 526 349	(563 594)	1 502 520	(325 412)
Animal Health	741 670	(178 566)	728 159	(133 054)
Biosciences - held for sale	252 968	(161 819)	661 052	(221 631)
Head office[2]	232 220	(2 298 148)	298 207	(2 234 982)
Other	2 661	(37)	1 846	(628)
Total consolidated assets and (liabilities)	**12 235 982**	**(10 943 476)**	**11 289 239**	**(9 280 135)**

[1] The comparatives have been restated for the change in discontinued operations.
[2] Goodwill was reclassified between the Head Office segment and the Sun Wave segment. Refer to the restatements section in the accounting policies note for more details.

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	2020 R'000	Restated[1] 2019 R'000
South Africa	208 444	398 962
Cyprus	816 353	563 440
Hungary	-	127 640
Romania	1 599	24 666
Spain	19 254	32 099
Assets held for sale	(6 651)	(42 304)
Fixed assets per geographic location	**1 038 999**	**1 104 503**

[1] The comparatives have been restated for the change in discontinued operations.

2. Earnings per share

Earnings per share

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

Diluted earnings per share

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

Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the period. The presentation of headline earnings is not an IFRS requirement, but is required by the JSE Listings Requirements and the SAICA Circular 1/2019.

Weighted average number of shares

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

2. Earnings per share (continued)

		2020 R'000			Restated[1] 2019 R'000		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
(a)	**Basic loss per share**						
	Loss attributable to owners of the parent	(830 843)	(169 977)	(1 000 820)	(1 787 916)	(2 922 276)	(4 710 192)
	Loss	**(830 843)**	**(169 977)**	**(1 000 820)**	**(1 787 916)**	**(2 922 276)**	**(4 710 192)**
	Weighted average number of ordinary shares in issue[2]			477 514 891			477 514 891
	Basic loss per share (cents)	**(174.0)**	**(35.6)**	**(209.6)**	**(374.4)**	**(612.0)**	**(986.4)**
(b)	**Headline loss per share**						
	Loss attributable to owners of the parent	(830 843)	(169 977)	(1 000 820)	(1 787 916)	(2 922 276)	(4 710 192)
	Adjusted for:						
	Net (profit)/loss on the sale of property, plant and equipment	(771)	–	(771)	(607)	6 473	5 866
	Tax effect	202	–	202	172	(1 485)	(1 313)
	(Profit)/loss on disposal of subsidiary	(408)	(107 036)	(107 444)	(17 355)	901	(16 454)
	Tax effect	91	4 796	4 887	3 697	(123)	3 574
	Goodwill, intangible asset and tangible asset impairment	638 959	311 498	950 457	1 604 764	2 894 229	4 498 993
	Tax effect	(57 185)	(518)	(57 703)	(4 340)	(9 617)	(13 957)
	Impairment of investment	14 324	–	14 324	1 971	–	1 971
	Non-controlling interest portion allocation	257	–	257	(143)	–	(143)
	Headline (loss)/earnings	**(235 374)**	**38 763**	**(196 611)**	**(199 757)**	**(31 898)**	**(231 655)**
	Weighted average number of shares in issue[2]			477 514 891			477 514 891
	Headline (loss)/earnings per share (cents)	**(49.3)**	**8.1**	**(41.2)**	**(41.8)**	**(6.7)**	**(48.5)**

[1] The comparatives have been restated for the change in discontinued operations and for the change in treasury shares. Refer to the rstatement and prior period error section of the accounting policies note.

[2] The weighted average number of shares have been restated for 2019. Refer to restatement and prior period error section of the accounting policies note.

2. Earnings per share (continued)

(c) Normalised headline earnings per share PM

The group's accounting policy and definition of normalised headline earnings per share and normalised EBITDA, are as follows:

Normalised headline earnings PM 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. Refer to note 1 for the detailed impact on normalised EBITDA PM.

Performance measures (PM) are not defined or specified per the requirements of IFRS but are derived from the financial statements prepared in accordance with IFRS. For more details refer to performance measures in the accounting policies note.

2. Earnings per share (continued)

	2020 R'000			Restated[3] 2019 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Reconciliation of normalised headline earnings						
Headline (loss)/earnings	**(235 374)**	**38 763**	**(196 611)**	**(199 757)**	**(31 898)**	**(231 655)**
Adjusted for						
Acquisition of businesses related costs [1]	24 225	–	24 225	14 494	–	14 494
Disposal of businesses related costs	70 519	574	71 093	28 161	–	28 161
Debt/capital restructuring costs	155 281	–	155 281	83 590	–	83 590
Restructuring and retrenchment costs	233	9 749	9 982	13 386	4 265	17 651
Tax effect thereof	(43 479)	(462)	(43 941)	(24 224)	(652)	(24 876)
Normalised headline (loss)/earnings	**(28 595)**	**48 624**	**20 029**	**(84 350)**	**(28 285)**	**(112 635)**
Weighted average number of shares in issue[2]			477 514 891			477 514 891
Normalised headline (loss)/earnings per share (cents)	**(6.0)**	**10.2**	**4.2**	**(17.7)**	**(5.9)**	**(23.6)**

[1] No business combinations took place in the current period, however costs relating to a possible acquisition and costs relating to previous acquisitions have been incurred in the current and prior periods.
[2] The weighted average number of shares have been restated for 2019. Refer to restatement and prior period error section of the accounting policies note.
[3] The comparatives have been restated for the change in discontinued operations and restated for the change in treasury shares. Refer to the restatement and prior period error section of the accounting policies note.

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

2. Earnings per share (continued)

Impact of prior period error regarding weighted average number of shares and changes in discontinued operations:

R'000	Previously reported 2019 Continuing operations	Previously reported 2019 Discontinued operations	Previously reported 2019 Total	Restatement 2019 Continuing operations	Restatement 2019 Discontinued operations [1]	Restatement 2019 Total	Restated 2019 Continuing operations	Restated 2019 Discontinued operations [1]	Restated 2019 Total
Reconciliation of basic earnings									
Profit/(loss) attributable to owners of the parent	(4 765 271)	94 885	(4 670 386)	2 977 355	(3 017 161)	(39 806)	(1 787 916)	(2 922 276)	(4 710 192)
Earnings/(loss)	**(4 765 271)**	**94 885**	**(4 670 386)**	**2 977 355**	**(3 017 161)**	**(39 806)**	**(1 787 916)**	**(2 922 276)**	**(4 710 192)**
Weighted average number of ordinary shares in issue[2]			484 827 324			477 514 891			477 514 891
Basic earnings/(loss) per share (cents)	**(982.9)**	**19.6**	**(963.3)**	**623.5**	**(631.8)**	**(8.3)**	**(374.4)**	**(612.0)**	**(986.4)**
Reconciliation of headline earnings									
(Loss)/profit attributable to owners of the parent	**(4 765 271)**	**94 885**	**(4 670 386)**	**2 977 355**	**(3 017 161)**	**(39 806)**	**(1 787 916)**	**(2 922 276)**	**(4 710 192)**
Adjusted for									
Net (profit)/loss on the sale of property, plant and equipment	(1 067)	6 933	5 866	460	(460)	–	(607)	6 473	5 866
Tax effect	230	(1 543)	(1 313)	(58)	58	–	172	(1 485)	(1 313)
(Profit)/loss on disposal of subsidiary	(17 355)	901	(16 454)	–	–	–	(17 355)	901	(16 454)
Tax effect	3 697	(123)	3 574	–	–	–	3 697	(123)	3 574
Goodwill, intangible asset and tangible asset impairment	4 195 379	303 614	4 498 993	(2 590 615)	2 590 615	–	1 604 764	2 894 229	4 498 993
Tax effect	(13 957)	–	(13 957)	9 617	(9 617)	–	(4 340)	(9 617)	(13 957)
Impairment of investment	1 971	–	1 971	–	–	–	1 971	–	1 971
Non-controlling interest portion allocation	(143)	–	(143)	–	–	–	(143)	–	(143)
Headline (loss)/earnings	**(596 516)**	**404 667**	**(191 849)**	**396 759**	**(436 565)**	**(39 806)**	**(199 757)**	**(31 898)**	**(231 655)**
Weighted average number of shares in issue[2]			484 827 324			477 514 891			477 514 891
Headline (loss)/earnings per share (cents)	**(123.0)**	**83.4**	**(39.6)**	**83.1**	**(91.4)**	**(8.3)**	**(41.8)**	**(6.7)**	**(48.5)**

2. Earnings per share (continued)

	Previously reported 2019			Restatement 2019			Restated 2019		
R'000	**Continuing operations**	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations** [1]	**Total**	**Continuing operations**	**Discontinued operations** [1]	**Total**
Reconciliation of normalised headline earnings									
Headline (loss)/earnings	**(596 516)**	**404 667**	**(191 849)**	**396 759**	**(436 565)**	**(39 806)**	**(199 757)**	**(31 898)**	**(231 655)**
Adjusted for									
Acquisition of businesses related costs	4 876	9 618	14 494	9 618	(9 618)	–	14 494	–	14 494
Disposal of businesses related costs	28 161	–	28 161	–	–	–	28 161	–	28 161
Debt/capital restructuring costs	83 590	–	83 590	–	–	–	83 590	–	83 590
Restructuring and retrenchment costs	20 632	(2 981)	17 651	(7 246)	7 246	–	13 386	4 265	17 651
Tax effect thereof	(24 876)	–	(24 876)	652	(652)	–	(24 224)	(652)	(24 876)
Normalised headline (loss)/earnings	**(484 133)**	**411 304**	**(72 829)**	**399 783**	**(439 589)**	**(39 806)**	**(84 350)**	**(28 285)**	**(112 635)**
Weighted average number of shares in issue(2)			484 827 324			477 514 891			477 514 891
Normalised headline (loss)/earnings per share (cents)	**(99.8)**	**84.8**	**(15.0)**	**83.7**	**(92.1)**	**(8.3)**	**(17.7)**	**(5.9)**	**(23.6)**

(1) The additional discontinued operations recognised in the current year resulted in the restatement of normalised earnings.

(2) The weighted average number of shares have been restated for 2019. Refer to restatement and prior period error section of the note on Accounting Policies.

3. Borrowings and other financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. 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.

All borrowing costs are recognised in profit or loss using the effective interest method, unless if the borrowing costs qualify to be capitalised in terms of the requirements of IAS 23 *Borrowing Costs*.

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

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

The fair value (determined using the discounted cash flow model) approximates the carrying value. The key valuation inputs in the fair value assessment are the interest rate (unobservable) and credit risk (unobservable), making this a level 3 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 Health implemented a debt structure that is administered by Absa Bank Ltd as the Facility Agent. The existing debt facility was amended on 5 June 2020 and provided for the advance of new debt facilities. The structure consists of a syndicated facility denominated in South African Rands (ZAR) and Euro (EUR) term facilities, revolving credit facilities and other foreign bi-lateral facilities. In terms of the existing debt structure, the total facilities drawn down amounts to R1 950.7 million and €224.7 million (30 June 2019: R2 087.8 million and €219.2 million). Undrawn ZAR denominated facilities amounts to R265 million (2019: Rnil) and EUR denominated facilities of €6.6 million as at 30 June 2020 (2019: €nil).

EUR denominated facilities

The group has three secured Euro term facilities with a balance outstanding of €169 million, €6 million and €0.4 million which matures in December 2021 as well as a €49.4 million revolving credit facility which was fully drawn as at 30 June 2020. The gross debt balance translated into ZAR at year end amounted to R4 367.4 million. The facilities are repayable by a single bullet payment on 31 December 2021. Interest is charged at Euribor plus 14% (4% margin and 10% PIK) on the existing facilities which were in place prior to the amendment and Euribor plus 10% (5% margin + 5% PIK) on the new facilities per annum. The cash interest is repayable quarterly, while the PIK component is capitalised and payable on 31 December 2021.

3. Borrowings and other financial liabilities (continued)

ZAR denominated facilities

The secured syndicated facility consists of three term loans with balances outstanding of R885.4 million, R513.3 million and R138 million and a R414 million revolving credit facility which was partially drawn as at 30 June 2020. The facilities are repayable by a single bullet payment on 31 December 2021.

Interest is charged at JIBAR plus 13.75% to 14.2% (3.75% - 4.2% margin and 10% PIK) per annum and is payable quarterly on the existing facilities which were in place prior to the amendment and JIBAR plus 10% (5% margin and 5% PIK) on the new facilities. The cash interest is repayable quarterly, while the PIK component is capitalised and payable on 31 December 2021. Additional facilities exist that include letters of credit, performance guarantees and debtors factoring.

Covenants and divestment milestones

This secured syndicated facility is subject to a quarterly adjusted leverage covenant test (The ratio of total net debt to adjusted EBITDA[PM]). For the year ended 30 June 2020 the lenders required that the group maintain an adjusted leverage ratio below 5.9 (2019: 3.75). Ascendis Health achieved a ratio of 4.5 and therefore is compliant with the requirement set by the lenders.

Certain key divestment milestones of certain business units are a requirement in terms of the amendment of the facilities on 5 June 2020 and an event of default will arise if the requisite majority of shareholders vote against these specified disposals and it any of the required milestones are not met. To date no breach of the adjusted leverage covenant or milestones have occurred.

The classification of facilities between current and non-current are subject to either the maturity date (31 December 2021) specified in the lender agreement or the planned timing of disposal as disclosed in note 30 - discontinued operations. The expected proceeds from disposals will be used to settle the debt and deferred vendor liabilities (where applicable) of the affected operations, unless the necessary waivers have been obtained from the lender consortium and vendors where required under the deferred vendor liabilities in question.

More information relating to the syndicated facilities can be found under the going concern section of the accounting policies note.

Other facilities

In addition to the syndicated facilities outlined above, the group also has the following borrowings as at 30 June 2020:

Euro denominated loan of R160.4 million (2019: R164.5 million) with the Bank of Cyprus that matures on 30 June 2022. Interest is charged at 3.55% per annum, capital and interest is settled on a quarterly basis.

3. Borrowings and other financial liabilities (continued)

Other facilities (continued)

Farmalider and its subsidiaries has a number of Euro denominated loans/facilities with different financial institutions amounting to R272.2 million (2019: R158.3 million). These facilities have different maturity dates, repayment profiles and interest rates. These interest rates range between 0% and 2.1% per annum.

The TRS liability with ABSA Bank Limited consist of 5 tranches amounting to R81.7 million (2019: R81.7 million). These tranches carry a fixed interest rate between 8.79% and 9.91% per annum and the last tranche's maturity date is 5 July 2023. Interest is paid six monthly.

Refinancing agreement over the senior debt concluded during the current year (*IFRS 9 extinguishment & recognition*)

On 05 June 2020, the group successfully concluded a refinancing agreement that resulted in:

a) the modification of existing facilities

As the modification of existing facilities constituted a substantial modification under IFRS 9: *Financial Instruments*, we have accounted for this as an extinguishment. The impact of this can be summarised as follows:

- administrative fees from lenders: A total of R243 million of administrative related charges were charged by the lenders and have been included in the amount that will be repayable at maturity (31 December 2021) of these loans. These expenses relate to amendment and arrangement fees charged by the lenders of the debt. As part of the de recognition of the existing facilities and accounting of the refinanced facilities, the difference of R243 million between the carrying value de-recognised and the discounted value of the refinanced debt (representing the administration fees levied by the lenders), were recorded as an expense in profit or loss. As at 30 June 2020 the total consolidated borrowings after the capitalisation of these costs amounted to R6.8 billion (see note below); and

- Incremental transaction costs: As a consequence of the refinancing all incremental and directly associated transaction costs incurred since December 2019, amounting to R105.7 million, have been considered as incremental transaction costs. As these costs relate to the collective negotiation of the existing and new debt facilities, management based on their best estimate, allocated these costs between the existing facilities and the new facilities. Based on this allocation a total of R97.8 million of incremental transaction costs were regarded as being attributable to the existing facilities. As such, these costs (R97.8 million) have been charged to the profit or loss in the current year and the residual amount of R7.9 million which relates to new facilities have been capitalised to the new facilities (see section b below for further details).

- Payment in Kind (PIK) Margin: Following the refinancing of the existing facilities together with the advance of new facilities, the lender consortium introduced an addition 5% - 10% PIK margin on certain facilities, which has been capitalised to the bullet payments that will mature on 31 December 2021. The standard variable interest rates (for facilities denominated in Rands at Jibar + margin) and facilities denominated in Euro at Euribor + margin) continued to follow a similar repayment profile of the original debt (i.e. repayable quarterly) as described above.

3. Borrowings and other financial liabilities (continued)

b) the advancing of additional facilities

For the additional facilities obtained as described above, these have been recognised net of directly attributable allocated transaction costs of R7.9 million. These costs will be amortised up to the maturity date of the loans (31 December 2021). The impact of the current year amortisation of R356 thousand was included in the interest expense (see note 7).

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

	2020 R'000	Restated[(1)] 2019 R'000
Secured borrowings and other financial liabilities		
Cyprus loan facility[(2)]	160 449	164 524
Total secured	**160 449**	**164 524**
Unsecured borrowings and other financial liabilities		
Term loan - South Africa debt	1 534 832	1 311 938
Term loan - European debt	3 402 133	2 583 017
Revolving credit facilities	1 373 676	759 299
Loans with financial institutions - Spain	272 155	158 303
Short-term loans with financial institutions	-	332 929
Bridging term loan	-	360 397
Other South African borrowings[(1)]	81 783	82 601
Other European borrowings	182	-
Total unsecured	**6 664 761**	**5 588 484**
Total borrowings and other financial liabilities	**6 825 210**	**5 753 008**
The split between current and non-current borrowings and other financial liabilities		
Non-current liabilities	6 285 087	208 226
Current liabilities	540 123	5 544 782
	6 825 210	**5 753 008**

(1) The 2019 comparatives have been restated due to the TRS loan payable to Absa and for the change in assets held for sale. Refer to the prior period error section in the accounting policy note for more details.
(2) The buildings of Remedica have been encumbered with the Cyprus loan facility. (Refer to note 9)

3. Borrowings and other financial liabilities (continued)

Reconciliation of borrowings:	2020 R'000	Restated[1] 2019 R'000
Capital portion of loans outstanding at beginning of year	5 753 008	5 494 383
IFRS 9 - Extinguishment		
Syndicated - South Africa term loans	(1 334 174)	-
Syndicated - EURO term loans	(3 058 271)	-
EURO revolving credit facility	(880 653)	-
IFRS 9 - Recognition		
Syndicated - South Africa term loans	1 334 174	-
Syndicated - EURO term loans	3 058 271	-
EURO revolving credit facility	880 653	-
New loans raised net of debt capitalisation fees		
Syndicated facility - South Africa term loans	131 039	-
Syndicated facility - Euro term loans	113 372	-
South Africa revolving credit facility	392 000	-
Cyprus facility loan	24 132	38 576
Loans with financial institutions - Spain	173 946	136 966
Short-term loans with financial institutions	-	35 929
Bridging term loan	-	354 825
Other financial liabilities	-	82 601
Other European borrowings	181	-
Capitalised fees amortised	50 222	28 287
Capitalised fees	243 154	-
Capital repaid		
Syndicated facility - South Africa term loans	(30 676)	(87 220)
Syndicated facility - Euro term loans	(57 749)	(86 697)
Euro revolving credit facility	(15 399)	-
Cyprus facility loan	(64 258)	(89 672)
Loans with financial institutions - Spain	(98 623)	(123 190)
Short-term loans with financial institutions	(332 929)	-
Bridging term loan	(360 000)	-
Other financial liabilities	(818)	-
Transferred to liabilities held for sale	-	(37 711)
Foreign currency translation	799 544	(3 685)
Capital portion of loans outstanding at year end	**6 720 146**	**5 743 392**
Interest accrued	105 064	9 616
Total loans outstanding at year end	**6 825 210**	**5 753 008**

[1] The 2019 comparatives have been restated due to the TRS loan payable to Absa and restated for the change in assets held for sale. Refer to the prior period error section in the accounting policy note for more details.

4. Revenue

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

1. Revenue from contracts with customers

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

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

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

1.1 Sale of goods – wholesale

The group manufactures and sells a range of medicines in the wholesale market. This policy applies to both in-country sales and export sales. Revenue is recognised when the control of the products has transferred, being when the products are delivered to the wholesaler. The wholesaler has full discretion over the channel and price to sell the products and there is no unfulfilled obligation that could affect the wholesaler's acceptance of products. Delivery occurs when the products have been shipped to the wholesaler's specified location, risk of obsolescence and loss have been transferred to the wholesaler or either the wholesaler has accepted the products in accordance with the contract. Delivery for export sale is not a separate performance obligation as it is highly dependent on the sale of the products to the wholesaler hence it is not separately identifiable.

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

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

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

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

4. Revenue (continued)

1.1 Sale of goods – wholesale (continued)

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

1.2 Sale of goods – equipment

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

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

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

1.3 Sale of services – maintenance of equipment

The group provides maintenance services for the equipment that has been purchased by the customer as a separate service. Alternatively, the group offers assurance-type warranty for the maintenance of the purchased equipment. Maintenance is considered to be a distinct service as it is both regularly supplied by the group to customers on a standalone basis and is available for customers from other providers in the market. A portion of the transaction price is allocated to maintenance service based on the standalone selling prices of the components. The group recognises a contract liability for the services that have not been performed at year end. Refer to note 19 for the balance of the warranty liability as at 30 June 2020.

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

1.4 Sale of drug master files right to sell fees

The group generates revenue from the right to sell a product manufactured by the group in a specific region. This constitutes a license fee and entails the seller of the product paying the group for the right to do so.

Revenue is recognised at a point in time.

4. Revenue (continued)

1.5 Royalty income

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

Revenue is recognised over time based on the output method.

Significant judgement and estimates in revenue recognition

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

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

Financing component

The group applied the IFRS 15 practical expedient when IFRS 15 was adopted on 1 July 2019 by not adjusting the consideration for the effects of a significant financing component because, at contract inception, the group expects that the period between when the group transfers the promised goods or services to a customer and when the customer pays for for the goods or services is one year or less. The group does not consider contracting on settlement terms exceeding 12 months as aligned to its risk policy and the absence of commercial sense to do so. Arrangements of this nature would be assessed and accepted on a case by case basis in the event of presenting themselves to the group.

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

2 Revenue from rental income

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

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

4. Revenue (continued)

The breakdown of revenue from all activities is as follows:

Revenue	2020 R'000	Restated[1] 2019 R'000
Revenue from contracts with customers		
Sale of goods - wholesale (in-country)	4 112 630	2 416 537
Sale of goods - wholesale (export)	1 854 302	2 640 428
Sale of equipment	377 185	291 818
Sale of drug masterfiles right to sell fees	79 820	86 017
Rendering of service	91 207	72 294
Royalty income	27 634	41 876
	6 542 778	**5 548 970**
Timing of revenue: Revenue from contracts with customers		
Products transferred at a point in time	6 423 936	5 434 800
Services transferred over time	118 842	114 170
	6 542 778	**5 548 970**
Rental Income	**420 598**	**322 796**
Total Revenue	**6 963 376**	**5 871 766**

[1] The comparatives have been restated due to the following:

i) Restatement of Remedica and Scitec in terms of IFRS 5 *Discontinued Operations*, refer to note 30 for more details;

ii) Reclassification of revenue amount from rental income to sale of goods. This is in relation to sale of consumables which was incorrectly classified as rental income in the prior year. The result of the reclassification was a decrease in rental income of R117.6 million and a corresponding increase in sale of goods - wholesale (in-country) of R117.6 million.

5. Other income and expenses by nature

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

Other income	2020 R'000	Restated 2019 R'000
Rental income	450	150
Bad debt recoveries	355	216
Legal settlement	2 315	166
Marketing and management fees	2 436	22
Profit on the disposal of property, plant and equipment	6 367	810
Put-option remeasurement	-	1 700
Profit on the disposal of subsidiaries	-	18 843
Kyron deferred vendor liability remeasurement and discount received	-	35 911
Other income	1 600	12 969
Commission received	5 454	-
Other non-trading income*	8 987	15 191
	27 964	**85 978**

* This relates to income received by Remedica for other trading and non-trading income, such as tooling and other destruction costs and subsidies provided by the Cyprus government for training purposes.

Expenses by nature	2020 R'000	Restated 2019 R'000
Administration costs	280 790	280 601
Advertising and promotions	325 678	235 969
Cost of goods sold	3 751 732	3 269 878
Depreciation and amortisation	255 089	244 682
Depreciation on right-of-use assets	74 866	-
Distribution costs	95 488	88 484
Employee benefit expenses	929 025	935 031
Fair value adjustment losses	3 531	6
Impairment of goodwill, intangible assets and property, plant and equipment	689 323	1 606 735
Reversal of impairment	(36 040)	-
Net impairment loss on financial assets	40 270	25 713
Occupancy costs	26 885	109 074
Acquisition of businesses related cost	24 225	4 877
Disposal of businesses related cost	70 519	28 161
Restructuring and retrenchments	233	13 386
Debt/capital restructuring costs	155 281	83 590
Foreign exchange loss	28 493	2 152
Other expenses	93 781	94 708
Provision for loan write-off	19 662	-
Contract for difference losses	-	5 978
Travelling costs	28 898	40 942
Loss on disposal of assets	6 542	-
Research and development	19 604	14 355
Selling costs	211 144	118 779
	7 095 019	**7 203 101**
Cost of sales	3 751 732	3 269 878
Selling and distribution costs	669 808	518 005
Administrative expenses	1 187 601	1 222 151
Net impairment loss on financial assets	40 270	25 713
Other operating expenses	792 325	560 619
Impairment of goodwill, intangible assets and property, plant and equipment	653 283	1 606 735
	7 095 019	**7 203 101**

This note excludes expenses relating to discontinued operations.

6. Employee benefit expense

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

The company has adopted a single policy for remuneration. The employee benefits form part of the cost to company and is therefore seen as a 100% company contribution. The company contributes to Pension/Provident Funds, Medical Aid, Medical Insurance cover and the company's Employee Assistance Partner.

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

The following items are included within employee benefits expense:

	2020 R'000	**Restated[1] 2019 R'000**
Wages and salaries	930 552	933 504
IFRS 2 *Share-based payment* (credit)/charge	(1 527)	1 527
	929 025	**935 031**

[1] The comparatives have been adjusted for the restatement of discontinued operations.

7. Finance income and costs

Finance costs

Finance costs comprise interest expense on interest bearing financial instruments, lease liabilities, debt facilities, deferred vendor liabilities, unwinding of deferred vendor liabilities, amortisation of debt capitalisation fees and realised losses on interest rate swaps. All borrowing costs are recognised in profit or loss using the effective interest method, unless if the borrowing costs qualify to be capitalised in terms of the requirements of IAS 23 *Borrowing Costs*.

7. Finance income and costs (continued)

Finance income

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

	Financial Instrument Class	2020 R'000	Restated[1] 2019 R'000
Finance cost			
Lease liabilities	Amortised Cost	31 920	1 136
Interest on bank and term debt facilities	Amortised Cost	713 944	350 693
Interest rate swap expense	FV through P&L	3 040	3 174
Interest on deferred vendor liabilities	FV through P&L	60 622	42 077
Debt capitalisation fees	Amortised Cost	42 631	-
Other finance costs	Amortised Cost	13 701	10 296
Finance costs		**865 858**	**407 376**
Finance income			
Bank interest	Amortised Cost	5 060	3 154
Interest received SARS and other tax authorities	Amortised Cost	3 373	425
Other finance income	Amortised Cost	1 962	693
Finance income		**10 395**	**4 272**
Net finance costs		**855 463**	**403 104**

[1] The comparatives have been restated due to the discontinued operations. Refer to note 30 for more details.

8. Income tax expense

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

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

Major components of the tax expense	2020 R'000	Restated[1] 2019 R'000
South African Taxation		
Current Tax		
Current tax on profits for the period	27 174	88 421
Recognised in current tax for prior periods	13 095	10 873
	40 269	**99 294**
Deferred Tax		
Originating and reversing temporary differences	(116 268)	27 314
	(116 268)	**27 314**
South African income tax expense	**(75 999)**	**126 608**
Foreign Taxation		
Current Tax		
Current tax on profits for the period	54 197	60 492
Fiscal tax credits	-	(48)
Recognised in current tax for prior periods	(25 726)	(784)
	28 471	**59 660**
Deferred Tax		
Originating and reversing temporary differences	(7 757)	(13 723)
	(7 757)	**(13 723)**
Foreign income tax expense	**20 714**	**45 937**
Total income tax (credit)/expense	**(55 285)**	**172 545**

[1] The comparatives have been restated due to the change in discontinued operations. Refer to note 30 for more details.

8. Income tax expense (continued)

Income tax (credit)/expense attributable to:	2020 R'000	2019 R'000
Loss from continuing operations	(56 570)	128 876
Loss from discontinued operations	1 285	43 669
	(55 285)	**172 545**

	2020	Restated[1] 2019
Tax at the South Africa corporate tax rate	**28.00%**	**28.00%**
Amortisation	(23.73%)	2.77%
Impairment	6.03%	(25.27%)
Prior year over/under provisions	51.76%	(0.13%)
Utilisation of tax losses/Limitation of deferred tax assets on tax losses	(48.99%)	(3.49%)
Tax incentives	(0.26%)	0.62%
Foreign adjustment to tax base	20.91%	0.00%
Differences in tax rates	3.08%	1.48%
Capital gain	1.75%	(0.55%)
Non-trading entities' expenditure	0.00%	(8.48%)
Other disallowable charges	(7.27%)	(3.16%)
Investment acquisition/disposal costs	(24.42%)	0.00%
Other exempt income	0.08%	0.39%
Section 23N limitation of interest deduction	(1.04%)	0.00%
Average effective tax rate	**5.90%**	**(7.82%)**

[1] The comparatives have been restated due to the change in discontinued operations. Refer to note 30 for more details.

9. Property, plant and equipment

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

All other property, plant and equipment is measured at historical cost less accumulated depreciation and impairment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment or computers is capitalised as part of that equipment or computer depending on the underlying asset.

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

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

i) Measured at Fair Value (land & buildings only)

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

ii) Measured at historical cost (property, plant and equipment)

Depreciation is calculated on a straight-line basis to write off the cost of the assets to their residual values over the estimated useful lives. Useful lives and residual values are reviewed annually and the effect of any changes in estimate is accounted for on a prospective basis. For the 2020 financial year, leased assets were assessed in terms of IFRS 16 *Leases* and were depreciated over the shorter of the lease term and their useful lives.

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

9. Property, plant and equipment (continued)

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

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

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

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

Asset Category	**2020 Years**	2019 Years
Buildings	**25 – 50**	25 – 50
Land	**0**	0
Plant and machinery – owned	**5 – 15**	5 – 15
Office furniture	**5 – 7**	5 – 7
Motor vehicles – owned	**3 – 6**	3 – 6
Computers	**3 – 7**	3 – 7
Leased assets*	**2 – 10**	2 – 10
Leasehold improvements#	**3 – 10**	10

* As a result of adopting IFRS 16, leased assets are disclosed seperately, refer to note 10.

Depreciated over shorter of useful life and lease period.

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

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2020

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	535 755	737 620	49 593	11 127	60 022	80 041	53 345	29 885	1 557 388
Accumulated depreciation and impairment	(23 220)	(255 186)	(24 678)	(4 430)	(31 225)	(66 746)	(41 860)	(5 540)	(452 885)
Net book value at 1 July 2019	**512 535**	**482 434**	**24 915**	**6 697**	**28 797**	**13 295**	**11 485**	**24 345**	**1 104 503**
Additions	91 321	76 467	14 109	9 341	40	23 256	1 641	21 855	238 030
Revaluation	13 768	-	-	-	-	-	-	-	13 768
Disposals	-	(3 412)	(458)	(1 667)	-	(298)	(3 021)	(12 695)	(21 551)
Impairments and scrapping [2]	-	(204 233)	-	-	-	-	-	-	(204 233)
Transfers between asset categories	-	4 725	(196)	-	258	47	97	(4 930)	1
Transfers from inventory [3]	-	57 836	-	-	-	-	-	-	57 836
Transfers to intangible assets	-	-	-	-	-	(751)	-	-	(751)
Transfers from lease receivable	-	7 984	-	-	-	-	-	-	7 984
Reclassification to right of use assets	-	(15 745)	-	-	(22 608)	-	-	-	(38 353)
Transfers (to)/from disposal group classified as assets held for sale	(106 988)	(38 261)	(2 670)	-	507	(7 315)	(1 333)	4 144	(151 916)
Foreign exchange movements	110 007	49 962	1 231	1 249	(1 104)	2 743	(27)	(371)	163 690
Depreciation	(14 702)	(87 490)	(6 646)	(4 530)	(5 824)	(8 693)	(2 124)	-	(130 009)
Net book value at 30 June 2020	**605 941**	**330 267**	**30 285**	**11 090**	**66**	**22 284**	**6 718**	**32 348**	**1 038 999**
Made up as follows:									
Cost or revaluation	691 823	913 762	67 575	20 667	13 043	58 274	27 598	32 348	1 825 090
Accumulated depreciation and impairment	(85 882)	(583 495)	(37 290)	(9 577)	(12 977)	(35 990)	(20 880)	-	(786 091)
Net book value at 30 June 2020	**605 941**	**330 267**	**30 285**	**11 090**	**66**	**22 284**	**6 718**	**32 348**	**1 038 999**

[1] Capital work in progress relates to manufacturing assets that are not yet available for use.
[2] Refer to Note 11 for detailed impairment disclosure.
[3] Transfer of demo equipment from inventory to property, plant and equipment.

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2019 Restated[3]

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	(28 997)	(4 218)	(2 484)	(4 585)	(465)	(1 769)	(372)	(149)	(43 039)
Foreign exchange movements	(1 494)	(463)	31	(4)	1 639	871	413	62	1 055
Depreciation	(13 632)	(76 041)	(8 486)	(3 262)	(7 762)	(15 029)	(4 313)	-	(128 525)
Net book value at 30 June 2019	**512 535**	**482 434**	**24 915**	**6 697**	**28 797**	**13 295**	**11 485**	**24 345**	**1 104 503**
Made up as follows:									
Cost or revaluation	535 755	737 620	49 593	11 127	60 022	80 041	53 345	29 885	1 557 388
Accumulated depreciation and impairment	(23 220)	(255 186)	(24 678)	(4 430)	(31 225)	(66 746)	(41 860)	(5 540)	(452 885)
Net book value at 30 June 2019	**512 535**	**482 434**	**24 915**	**6 697**	**28 797**	**13 295**	**11 485**	**24 345**	**1 104 503**

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

[2] Refer to Note 11 for detailed impairment disclosure.

[3] The comparatives have been adjusted for the restatement of discontinued operations.

9. Property, plant and equipment (continued)

Fair value of land and buildings

An independent valuation of the group's land and buildings was performed at 30 June 2020 to determine the fair value of land and buildings. Valuations are performed with sufficient regularity at least every 3 years to ensure that the fair value of revalued assets does not differ materially from its carrying amount of the assets, and net amount is restated to the revalued amounts of the assets.

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

The following table analyses the land and buildings that are carried at fair value.

	Consumer Health Africa		Scitec [1]		Pharma Africa		Remedica [3]		Biosciences [2]	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Opening balance	59 821	54 068	92 267	87 365	-	(782)	360 447	347 511	-	30 269
Additions	-	-	703	11 227	-	-	90 466	21 300	152	182
Transferred to assets held for sale	-	-	(106 836)	-	-	782	-	-	(152)	(30 038)
Disposals and scrapping	-	(10)	-	-	-	-	-	-	-	-
Disposal of business	-	-	-	-	-	-	-	-	-	(572)
Revaluation gain	-	5 941	-	-	-	-	13 768	-	-	159
Depreciation for the period	(568)	(178)	(5 539)	(5 857)	-	-	(8 595)	(7 338)	-	-
Foreign exchange differences	-	-	19 405	(468)	-	-	90 602	(1 026)	-	-
Closing balance	**59 253**	**59 821**	**-**	**92 267**	**-**	**-**	**546 688**	**360 447**	**-**	**-**

(1) Remedica land and buildings are encumbered with the Cyprus loan facility. (Refer to note 3)

(2) The Bioscience land and buildings were disposed of during the current year.

(3) Restated as the business ceased to be classified as a discontinued operation and held for sale in the period under review.

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

9. Property, plant and equipment (continued)

2020

Property	Carrying amount
Consumer Health Africa - Erf 1114 & 1115	26 525
Remedica	529 687

The Scitec property (Owned land and buildings) was due for valuation in the current year. A valuation of these properties were performed on 23 June 2020 in terms of IAS 16.
Scitec was classified as held for sale on 30 April 2020 and the land and buildings have been transferred out of property, plant and equipment in line with this classification and therefore no revaluation was recorded in the group results.

The Remedica properties (Owned land and buildings) was due for valuation in the prior year. A valuation of these properties were performed on 14 June 2019 in terms of IAS 16 being an increase in carrying value of R13.7 million (€0.9 million). Remedica was classified as held for sale in the previous financial year and accordingly the revaluation was not booked. The revaluation is now accounted for as Remedica is not classified as held for sale in the current year. The present valuation was prepared by an independent valuator company called Markaris L.L.C. which is registered in the ETEK (Cyprus Scientific and Technical Chamber) company registry, with registration number C00053 and has the required expertise.

The valuation was performed using the market value approach which is defined as follows:

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

2019

Property	Rent/m²	Growth rate	Capitalisation rate	Carrying amount
Biosciences - Erf 649	R44	6%	10.50%	14 199
Biosciences - Erf 1719 & 1839	R33	6%	11%	370
Consumer Health Africa - Erf 1114 & 1115	R3 787 - R4 712	6%	10% - 11%	36 365
Scitec	R62- R101	2%	8.50%	38 780
Remedica	R287 - R6 016	4%	7%	295 538

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

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

9. Property, plant and equipment (continued)

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

2020

	Remedica	
	Increase	Decrease
Market capitalisation rate - 100 basis points	(4 562)	4 562
Gross market rental (rate/m^2) - 5%	(22 808)	22 808
Growth rate - 20 basis points	(912)	912

2019

	Consumer Health Africa Erf 1114 & Erf 1115		Biosciences Erf 649		Biosciences Erf 1719 & 1839	
	Increase	Decrease	Increase	Decrease	Increase	Decrease
Market capitalisation rate - 100 basis points	(596)	596	(277)	277	(20)	20
Gross market rental (rate/m^2) - 5%	(2 980)	2 980	(1 385)	1 385	(101)	101
Growth rate - 20 basis points	(119)	119	(55)	55	(4)	4

10. Right-of-use assets

The group's leases include land, manufacturing buildings, warehouse and office buildings, office equipment and motor vehicles. Rental periods are typically fixed periods varying between one to ten years but may have renewal options that was taken into account when determining the total period of the lease.

From 1 July 2019, at inception of a contract the group assessed whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

The group recognises right-of-use assets and lease liabilities (Note 22) at the lease commencement date for most leases. However, the group has elected not to recognise right-of-use assets and lease liabilities for some of the low value lease assets and for short-term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The group defines low value leases as leases of assets for which the value of the underlying asset when it is new is R50 000 or less and is not considered fundamental to the group's operations. The group recognises the lease payments associated with these leases as an expense directly in the income statement.

The right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Decommissioning costs

10. Right-of-use assets (continued)

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the asset's useful lives and the lease terms on a straight line basis. The useful lives of right-of-use asset ranges from 2 to 10 years.

The statement of financial position shows the following amounts recognised as right-of-use assets with regards to leases:

	2020 R'000	1 July 2019 R'000
Land	-	4 091
Buildings	210 809	218 408
Plant and machinery	47 428	59 655
Motor vehicles	48 827	27 337
Office equipment	3 701	2 085
Land	9 188	-
Total right-of-use assets	**319 953**	**311 576**

(1) In the previous year, the group only recognised lease assets and lease liabilities in relation to the leases that were classified as 'finance leases' under IAS 17. The assets were presented in property, plant and equipment. Refer to note 36 for further details with regards to the change in accounting policy.

Additions to the right-of-use assets during the 2020 financial year were R189 million.

The income statement shows the following amounts relating to right-of-use assets:

	2020 R'000
Buildings	41 293
Plant and machinery	20 761
Motor vehicles	11 744
Office equipment	898
Land	170
Depreciation charge right-of-use assets	**74 866**

11. Intangible assets and goodwill

(a) Goodwill

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

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

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

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

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

(b) Research and development

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

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

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

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

11. Intangible assets and goodwill (continued)

(b) Research and development (continued)

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

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

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

(c) Intangible assets with indefinite useful life

Indefinite useful life intangible assets are tested for impairment annually and more frequent if the events or changes in circumstances indicate a potential impairment. The group's brands and trademarks with indefinite useful lives were included as part of the Scitec segment and were impaired in full in the prior year with no subsequent reversal thereof.

(d) Intangible assets with definite useful life

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

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

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

11. Intangible assets and goodwill (continued)

The useful lives for the various categories of intangible assets are as follows:

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

Impairment

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

Impairment losses are allocated first to goodwill to reduce the carrying amount of any goodwill allocated to the CGU and then to the carrying amounts of the other intangible assets on a subjective basis considering any underlying causes of the impairment and the assets' ability to generate future cash flows.

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

11. Intangible assets and goodwill (continued)

Intangible assets and goodwill - 2020

R'000	Goodwill	Brands and trademarks	Licences and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance								
Cost	5 034 644	1 936 684	58 559	-	1 110 975	237 669	1 680 266	10 058 797
Accumulated amortisation and impairment	(2 526 397)	(1 061 105)	(47 163)	-	(359 162)	(35 517)	(694 124)	(4 723 468)
Restated carrying value as at 30 June 2019 (Restated)	**2 508 247**	**875 579**	**11 396**	**-**	**751 813**	**202 152**	**986 142**	**5 335 329**
Additions	-	23 367	5 290	2 351	-	-	85 434	116 442
Disposals	-	(2 025)	(18)	-	-	-	(955)	(2 998)
Transfers between categories	-	31 733	(177)	-	28 598	(15 969)	(44 185)	-
Transfers (to)/from disposal group classified as assets held for sale	-	683	(1 870)	(2 587)	-	-	-	(3 774)
Transfer from property, plant and equipment	-	-	-	-	-	-	751	751
Amortisation	-	(93 674)	(4 728)	-	(42 833)	(10 928)	(38 256)	(190 419)
Impairment	(203 983)	(138 837)	(6 961)	-	(113 351)	(5 774)	(1 858)	(470 764)
Reversal of Impairment[(2)]	-	7 442	-	-	28 598	-	-	36 040
Foreign exchange movements	365 629	167 956	1 371	236	87 623	16 277	215 001	854 093
Carrying value as at 30 June 2020	**2 669 893**	**872 224**	**4 303**	**-**	**740 448**	**185 758**	**1 202 074**	**5 674 700**
Made up as follows:[(1)]								
Cost	3 781 036	1 371 154	32 294	-	1 075 437	239 351	1 811 869	8 311 141
Accumulated amortisation and impairment	(1 111 143)	(498 930)	(27 991)	-	(334 989)	(53 593)	(609 795)	(2 636 441)
Carrying value as at 30 June 2020	**2 669 893**	**872 224**	**4 303**	**-**	**740 448**	**185 758**	**1 202 074**	**5 674 700**

(1) Cost and accumulated amortisation and impairment has reduced as at June 2020 because of the classification of Scitec as a discontinued operation. Scitec intangible assets were fully impaired in 2019, hence the impact on the transfers to discontinued operation is nil. However, the amounts reduce the related cost and accumulated impairment.

(2) The reversal of impairment was in respect of brands and trademarks and customer relationships held by Chempure (Pty) Ltd included in the Consumer Health Africa segment.

11. Intangible assets and goodwill (continued)

Intangible assets and goodwill - 2019
Restated

R'000	Goodwill	Brands and trademarks	Licences 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	97 530	134 697
Disposals	-	(800)	(585)	-	(141)	-	(1 512)	(3 038)
Transfers between categories [1]	-	(293)	(5 305)	70	17 893	1 224	(13 589)	-
Transfers (to)/from disposal group classified as assets held for sale	(279 119)	(82 087)	(4 335)	(13 039)	(39 437)	(1 557)	(9 939)	(429 513)
Transfer from property, plant and equipment	-	-	686	-	-	-	-	686
Amortisation	-	(72 369)	(10 614)	-	(55 181)	(15 887)	(40 430)	(194 481)
Impairment	(2 458 076)	(877 061)	(19 449)	-	(173 071)	-	(545 749)	(4 073 406)
Foreign exchange movements	33 561	21 059	809	41	1 565	(54)	9 656	66 637
Carrying value as at 30 June 2019	**2 508 247**	**875 579**	**11 396**	**-**	**751 813**	**202 152**	**986 142**	**5 335 329**
Made up as follows: [2]								
Cost	5 034 644	1 936 684	58 559	-	1 110 975	237 669	1 680 266	10 058 797
Accumulated amortisation and impairment	(2 526 397)	(1 061 105)	(47 163)	-	(359 162)	(35 517)	(694 124)	(4 723 468)
Carrying value as at 30 June 2019	**2 508 247**	**875 579**	**11 396**	**-**	**751 813**	**202 152**	**986 142**	**5 335 329**

A total of R19.5 million (2019: R14.4 million) for research costs has been expensed to the statement of comprehensive income for the year ended 30 June 2020, please refer to note 5.

11. Intangible assets and goodwill (continued)

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

Summary of goodwill 2020 R'000	Opening balance	Transfers	Impairment	Foreign currency translation	Closing balance
Consumer Health Africa	211 734	-	(195 253)	-	16 481
Sun Wave	59 289	-	-	13 662	72 951
Remedica	1 611 929	-	-	351 967	1 963 896
Medical	321 531	-	(8 730)	-	312 801
Animal Health	303 764	-	-	-	303 764
Total	**2 508 247**	**-**	**(203 983)**	**365 629**	**2 669 893**

Summary of goodwill Restated 2019 R'000	Opening balance	Impairment	Transfer from/ (to) discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa [1]	365 832	(173 865)	19 767	-	211 734
Scitec	1 283 585	(1 318 413)	-	34 828	-
Sun Wave [1]	60 680	-	-	(1 391)	59 289
Pharma Africa	426 806	(426 806)	-	-	-
Remedica	1 615 617	-	-	(3 688)	1 611 929
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)**	**(279 119)**	**33 561**	**2 508 247**

[1] The goodwill summary has been re-presented due to a goodwill acquisition adjustment initially being allocated to the Consumer Health Africa segment but identified as pertaining to Sun Wave. The balance of Consumer Health Africa's goodwill increased by R34.5 million and Sun Wave's goodwill decreased by the same amount. Please refer to the Restatement section included in Accounting Policies for more details in this regard. This re-presentation has no impact on prior year impairments.

Summary of indefinite useful life intangible assets R'000	Opening balance	Impairment	Transfers	Foreign currency translation	Closing balance
2020					
Scitec	-	-	-	-	-
2019					
Scitec	846 585	(847 270)	(22 285)	22 970	-

11. Intangible assets and goodwill (continued)

Individually material intangible assets

The carrying values and remaining useful lives for individually material intangible assets are disclosed below per CGU and segment to which they belong:

			Carry value		Remaining useful life	
2020			**2020**	**2019[2]**	**2020**	**2019**
CGU	**Reporting Segment**	**Intangible Asset**	**R'000**	**R'000**		
Ascendis Consumer	Consumer Health	Brands and trademarks	32 881	35 409	14	15
Sun Wave	Consumer Health	Brands and trademarks	802 117	697 281	17	18
Ascendis Animal Health	Animal Health	Brands and trademarks	22 220	25 226	17	18
Chempure[1]	Consumer Health	Customer relationships	28 598	-	12	13
Respiratory Care Africa	Medical	Customer relationships	28 650	30 673	14	15
The Scientific Group	Medical	Customer relationships	58 102	62 348	15	16
Remedica	Pharma	Customer relationships	537 476	458 188	26	27
Kyron Laboratories	Animal Health	Customer relationships	45 645	51 599	8	9
Farmalider	Pharma	Contractual agreements	93 564	76 796	15	16
Ascendis Animal Health	Animal Health	Contractual agreements	20 553	22 134	17	18
Kyron Laboratories	Animal Health	Contractual agreements	62 971	67 943	13	14
Farmalider	Pharma	Drug master files	49 242	61 693	25	26
Ascendis Pharma	Pharma	Drug master files	69 158	72 433	21	22
Remedica	Pharma	Drug master files	1 084 281	864 173	26	27

[1] A reversal of prior impairments was recognised in respect of Chempure (Pty) Ltd included in the Consumer Health Africa segment in the current year.

[2] The prior year has been restated to reflect Remedica as part of continuing operations.

Impairment tests for CGUs

Impairment tests are conducted annually and are based on the projected sustainable cash flow methodology. Using a time horizon of five years, board approved CGU budgets for the 2021 financial year form the base of this calculation. The 2021 cash flows are extrapolated to the following four years. A long-term growth rate is applied to the final forecast year's cash flows to determine cash flows into perpetuity. The present value of these cash flows is calculated by applying an appropriate discount factor, determined after consideration of both systematic and unsystematic risks for each CGU.

These tests were performed on intangible assets and goodwill and property, plant and equipment as at 30 June 2020 and this resulted in R473 million (2019: R4 073 million) and R204 million (2019: R122 million) impairment of intangible assets and goodwill and property, plant and equipment respectively. A R36 million reversal of prior year impairments to intangible assets was also recorded (2019: Rnil). There were further impairments relating to discontinued operations of R311 million (2019: R2.9 billion (restated)) and other disposal groups held for sale of R15 million (2019: Rnil) resulting in a total net impairment for the 2020 financial year of R967 million (2019: R4.5 billion). The significant reduction of the group's share price is an indicator of impairment, with contributions thereto being the continuing adverse economic conditions in South Africa, exacerbated by the Covid-19 pandemic and the government-imposed lockdowns as well as continued liquidity constraints. The 2020 impairments were as a result of these factors and higher discount rates resulting from the challenging economic outlook at the valuation date of 30 June 2020.

11. Intangible assets and goodwill (continued)

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

2020 CGU	Reporting Segment	Carrying value R'000	Recoverable amount R'000	Impairment/(reversal) amount R'000
Surgical Innovations[4]	Medical	81 009	(225 767)[2]	252 548
Ortho-Xact[1][4]	Medical	(14 232)	(162 598)[2]	55 882
Dezzo	Pharma Africa	41 709	27 000 [3]	14 709
Chempure	Consumer Health Africa	(176 100)	(140 060)[2]	(36 040)
Ascendis Consumer Brands	Consumer Health Africa	(15 460)	(210 708)[2]	190 316
Farmalider	Farmalider	263 371	85 241 [2]	178 130
Avima (including Klub M5)	Biosciences	109 479	78 000 [2]	31 438
Scitec	Scitec	342 959	75 060 [3]	267 899
Direct Selling	Other	22 660	10 500 [3]	12 160
Total impairments				967 042

[1] The business activities of Ortho-Xact were formally reported under the Surgical Innovations CGU. For commercial and management reasons these activities are now reported as a separate CGU.

[2] The recoverable amount was determined by estimating the CGU's value in use.

[3] The recoverable amount was determined by estimating the CGU's fair value less cost to sell of the CGU.

[4] The impairment calculated has been allocated against the carrying value of the CGU, such that the carrying value of the individual assets is not written down to an amount in excess of its fair value.

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	275 328	41 563
Kyron	Animal Health	357 656	356 982	91 328
Pharmachem & Dezzo	Pharma Africa	(367 874)	(511 858)	344 227
Ascendis Pharma	Pharma Africa	323 805	322 004	149 968
Chempure	Consumer Health Africa	(161 938)	(246 442)	188 275
Ascendis Skin & Body	Consumer Health Africa	23 795	22 466	70 908
Farmalider	Farmalider	210 708	212 203	442 646
Efekto	Biosciences	(89 227)	119 691	105 554
Marltons	Biosciences	3 694	18 551	24 601
KlubM5	Biosciences	59 705	65 852	67 261
Scitec	Scitec	588 586	(176 022)	2 590 615
Ascendis Sports Nutrition	Other	47 454	46 084	16 543
Direct selling	Other	38 654	7 512	41 253
Ascendis Australia	Other	(35 326)	2 177	1 583
Total impairments				4 438 018

11. Intangible assets and goodwill (continued)

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

The group tests goodwill for impairment on an annual basis. The recoverable amount of each CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management with a further four years of cash flows projected using a combination of forecast GDP growth and expected inflation rates in the respective geographies, tailored for management's specific expectations. A long-term growth rate is applied to the cash flows arising in the fifth year in order to estimate a terminal value for the CGU.

Assumptions have been applied for the analysis of each CGU within the operating segment. All assets and liabilities for each CGU have been considered when determining impairment. Ascendis has a robust budgeting process and the revenue growth rates have been assessed on a prudent basis with a key focus on cash generation. The impact of Covid-19 and economic restrictions were considered in determining the budgeted cash flows for the 2021 financial year. Cash flows in the budget and forecast years have been adjusted for the reversal of lease payments in terms of IFRS16 *Leases* in the underlying budgets and notional capital expenditures estimated using the depreciation associated with the right-of-use assets have been included in the cash flows to accommodate either the renewal of the leases or the acquisition of the underlying assets.

Management applies judgement in determining a discount rate for each geography using published risk-free rates, a peer company systemic risk factor (beta) and a range of equity market risk premiums. Small stock premiums are applied to individual CGUs on an iterative basis. The group’s cost of debt is an important element in determining the discount rate used. The peer companies’ five-year average capital structure is applied to the individual elements of the discount rate. For CGUs impacted by IFRS16 *Leases*, an adjustment is made to the discount rate to accommodate the incremental borrowing rate.

Management exercises judgement in respect of the allocation of impairments amongst classes of intangible assets other than goodwill.

11. Intangible assets and goodwill (continued)

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

Assumptions

1. Sales growth - this is the expected average annual growth rate used in the determination of the five year sales forecast. It is CGU specific and based on current industry trends, including inflation forecasts for the different geographies in which business is conducted.
2. Other operating costs growth - these costs are those that do not vary significantly with sales volumes or prices and are based on current structures and ignore future unplanned restructurings or cost-saving measures. Their growth rate is based on current industry trends, including inflation forecasts for the different geographies in which business is conducted.
3. Annual capital and research and development expenditure - these are based on a short/medium term expenditure plan and the cash flows are included in the CGUs forecasts. In accordance with the value-in-use model, it is assumed these expenditures will not generate additional revenue, or result in additional costs.
4. Long-term growth rate - this is the expected growth rate used to determine cash flows beyond the budget and forecast period, which is used to and reflect the weighted annual growth rate.
5. Discount rates - these are CGU specific and reflect the specific risks relating to the relevant segments and the geographies in which they operate.

The following table details the main assumptions underlying forecasts from 2021 to 2025. Gross profit margins are not provided for commercial considerations. Budget and forecast CGU gross profit margins are closely correlated with those achieved in the 2020 financial year unless there is clear evidence from management to support changes.

2020	Sales volume & growth %	Other operating costs growth %	Annual capex & research and development (% of Sales)	Long-term growth rate %	Pre-tax Discount rate %
Surgical Innovations	10.4%	8.5%	8.3%	5.0%	25.6%
Ortho-Xact[1]	16.2%	25.6%	6.5%	5.0%	25.5%
Respiratory Care Africa	3.9%	1.8%	2.0%	5.0%	23.7%
The Scientific Group	12.5%	11.5%	2.7%	5.0%	21.0%
Ascendis Vet	5.3%	8.2%	1.0%	5.0%	21.1%
Animal Health	4.1%	14.7%	0.2%	5.0%	20.9%
Kyron	5.9%	7.1%	0.5%	5.0%	21.1%
Pharmachem	(6.5%)	(3.7%)	0.0%	5.0%	20.9%
Chempure	4.4%	6.2%	0.3%	5.0%	23.4%
Skin	5.3%	4.9%	1.6%	5.0%	26.2%
Ascendis Consumer Brands	5.5%	8.2%	2.0%	5.0%	20.8%
Ascendis Pharma	4.6%	4.8%	1.6%	5.0%	24.0%
Sun Wave	4.1%	12.2%	0.4%	5.0%	11.9%
Farmalider	3.5%	3.4%	7.6%	3.0%	13.6%
Avima (including Klub M5)	3.2%	2.4%	1.5%	5.0%	23.6%
Remedica	3.7%	1.4%	10.3%	3.0%	7.8%

[1] The business activities of Ortho-Xact were formally reported under the Surgical Innovations CGU. For commercial and management reasons these activities are now reported as a separate CGU.

11. Intangible assets and goodwill (continued)

2019	Sales volume & growth %	Other Operating costs growth	Annual capex & research and development (% of Sales)	Long-term growth rate %	Pre-tax Discount rate %
Surgical Innovations	7.6%	3.5%	1.3%	5.0%	21.4%
Respiratory Care Africa	6.4%	2.6%	0.7%	5.0%	20.3%
The Scientific Group	15.8%	1.5%	2.7%	5.0%	19.7%
Ascendis Vet	6.4%	1.4%	3.6%	5.0%	20.8%
Animal Health	5.1%	2.5%	2.2%	5.0%	21.3%
Kyron	6.1%	1.9%	1.1%	5.0%	21.2%
Pharmachem & Dezzo	4.9%	5.4%	0.1%	5.0%	16.1%
Chempure	5.6%	4.1%	0.5%	5.0%	20.8%
Skin	6.2%	1.8%	1.9%	5.0%	22.2%
Ascendis Consumer Brands	6.1%	5.1%	1.7%	5.0%	20.1%
Ascendis Pharma	3.1%	0.2%	0.2%	4.0%	19.9%
Sun Wave	7.6%	5.4%	1.1%	5.0%	15.6%
Farmalider	6.8%	4.7%	7.7%	5.0%	16.5%
Scitec	3.6%	0.9%	2.1%	3.0%	10.8%
Avima	7.7%	4.4%	0.5%	5.0%	20.40
Klub M5	(2.8%)	(10.6%)	0.2%	5.0%	20.10
Remedica	5.6%	(4.0%)	7.8%	5.0%	11.00

11. Intangible assets and goodwill (continued)

Sensitivities

The following table illustrates the change in the key assumptions for the carrying amount of the CGU to be equal to the recoverable amount. The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated:

Sensitivity analysis 2020	Sales volume & growth	Other operating costs growth	Annual Capex & research and development (% of Sales)	Long-term growth rate %	Pre-tax discount rate %
Respiratory Care Africa	(0.7%)	7.4%	0.7%	(3.1%)	2.7%
The Scientific Group	(1.2%)	3.5%	1.8%	(3.7%)	3.0%
Animal Health	(0.8%)	2.7%	2.1%	(2.4%)	1.9%
Kyron	(0.6%)	1.3%	1.4%	(1.1%)	0.9%
Sun Wave	(3.2%)	10.8%	13.2%	(59.6%)	19.8%
Remedica	(2.1%)	17.6%	11.5%	(4.7%)	4.1%
Ascendis Vet	0.0%	0.0%	0.0%	0.0%	0.0%

Sensitivity analysis 2019	Sales volume & growth	Other operating costs growth	Annual Capex & research and development (% of Sales)	Long-term growth rate %	Pre-tax discount rate %
Respiratory Care Africa	(5.4%)	4.5%	4.0%	(23.8%)	10.7%
The Scientific Group	(2.8%)	2.1%	2.1%	(4.5%)	3.0%
Ascendis Consumer Brands	(0.1%)	0.2%	0.1%	(0.4%)	0.3%
Sun Wave	(5.3%)	9.6%	9.1%	(18.0%)	9.0%
Avima	(0.6%)	1.0%	0.4%	(2.3%)	1.5%

Sensitivities

The following table illustrates the impact that a 1% change in any of the assumptions would have on the two partially impaired CGU's.

R'000s	Farmalider	Ascendis Consumer Brands
A 1% decrease in sales values or volumes growth rate	(207 188)	(67 827)
A 1% increase in other operating costs growth rate	(99 306)	(35 357)
A 1% increase in capex and R&D as a percentage of sales	(114 943)	(39 823)
A 1% decrease in the long-term growth rate	(34 289)	(16 360)
A 1% increase in the post-tax discount rate	(41 936)	(22 738)

12. Other financial assets

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

	2020 R'000	Restated[1] 2019 R'000
Other financial assets measured at amortised cost		
Previous owners of Chempure t/a Solal	9 021	9 021
Director of Ascendis	4 168	3 882
Loans to key management	1 026	4 579
Initial stock value - Scitec - transferred to assets held for sale	-	16 128
Other financial assets	1 635	1 543
Epik loan	7 911	7 911
Investment Fund	2 669	2 669
Loans to external parties	23 231	18 040
Staff loans	1 455	-
Less: Provision for loan write-off	(19 662)	-
Less: Expected credit loss	(10 548)	(5 020)
	20 906	**58 753**
Current other financial assets	5 057	6 439
Non-current other financial assets	15 849	52 314
Other financial assets	**20 906**	**58 753**

[1] The comparatives have been adjusted for the restatement of discontinued operations.

Other financial assets consist of the following receivables:

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

Loans to directors of Ascendis: An amount of R4.2 million is receivable from a director of Ascendis Management Services (Pty) Ltd. The original loan issued to Kieron Futter in December 2015 amounted to R3 million. The loan bears interest at 7.5% compounded annually and is repayable between four and ten years. The loan was made in compliance with the requirements of section 45 of the Companies Act. Refer to the related parties section (Note 35) for disclosure on related parties. The fair value of the director's loan approximates the carrying value.

Loans to key management: An amount of R1 million is receivable from key management of Ascendis Management Services (Pty) Ltd. The loans bear interest at 9% compounded annually and are repayable in July 2020. All loans were made in compliance with the requirements of section 45 of the Companies Act. Refer to the related parties note (Note 35) for disclosure on related parties.

12. Other financial assets (continued)

Loans to external parties: Consist of loans to previous Ascendis Directors (R13.6 million) and Key management staff (R9.4 million) who have since left the group. The loans bear interest at 7.5% and 9% compounded annually respectively and are repayable between July 2020 and June 2025.

Initial Stock Value - Scitec: Scitec's domestic customers require initial stock to start their business relationship. This initial stock is considered as a non-interest bearing loan to external parties as this balance remains outstanding until the contract terminates. This period is normally not definite, but assumption can be around 5-7 years. Stock has been transferred to assets held for sale in the current year. Refer note 30.

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

Investment Fund: Relates to an 8.5% investment in a venture capital company, WDB Growth fund (Pty) Ltd.

Staff loans: Loans granted to Farmalider employees that are payable in September 2022.

Epik loan: This is an amount owing by Epik Brands to Ascendis Health Australia that is payable on 31 July 2021 and is the only outstanding balance before the entity is closed.

Provision for loan write-off: A provision for the write-off of loans to the director, key management and some of the external parties have been raised as it is expected to be not recoverable.

Estimated credit loss (ECL): A credit loss was recognised for R10.5 million in the current year as the probability of default in relation to these balances are high. Included in this ECL provision is a specific provision of R5 million that has been recognised in relation to loan receivable from the previous owners of Chempure t/a Solal.

13. Deferred Tax

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

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

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

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

13. Deferred Tax (continued)

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

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

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

	2020 R'000	Restated[1] 2019 R'000
The gross movement on deferred tax is as follows:		
Gross movement in the deferred income tax assets account:		
Deferred tax asset	124 714	91 700
Deferred tax liability	(521 274)	(491 908)
Opening balance at the beginning of the year	(396 560)	(400 208)
Income statement charge	107 589	(13 591)
Charged through equity	(17 325)	7 307
Foreign exchange difference	(47 930)	(3 192)
Transferred to assets and liabilities held for sale	86 607	13 124
Closing balance at end of year	**(267 619)**	**(396 560)**
Deferred tax assets	94 849	124 714
Deferred tax liabilities	(362 468)	(521 274)
Net deferred tax liability	**(267 619)**	**(396 560)**
The deferred tax balance is attributable to the following items:		
Capital allowances	42 043	(29 130)
Intangible assets	(347 518)	(417 409)
Lease liability	19 028	-
Right-of-use asset	(15 661)	-
Provisions	(13 899)	35 575
Taxation losses	33 879	1 164
Income received in advance	537	(7 729)
Other	28 902	9 340
Prior period adjustments	(28 620)	3 057
Prepayments	13 033	8 996
Operating lease liability	657	(424)
	(267 619)	**(396 560)**

[1] The comparatives have been restated for the change in discontinued operations.

14. Inventories

Inventories comprise of raw materials, finished goods, work in progress and goods in transit.

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

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

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

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

- change in technology;
- stock nearing expiry dates;
- regulatory requirements; and
- the impact of Covid-19 on stock levels.

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

Management's estimate on stock obsolescence provision:

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

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

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

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

14. Inventories (continued)

	2020 R'000	Restated[(1)] 2019 R'000
Raw materials, components	420 888	389 913
Finished goods [(2)]	916 869	877 718
Work in progress	157 758	231 961
Goods in transit	87 232	33 514
Total inventories net of provision for impairment	**1 582 747**	**1 533 106**

[(1)] The comparatives have been adjusted for the restatement of discontinued operations.

[(2)] During the current year, R57.8 million in respect of demo equipment was transferred from finished goods inventory to propery, plant and equipment

Reconciliation of provision for impairment	2020 R'000	2019 R'000
Balance at the beginning of the year	(89 931)	(22 804)
Raised during the year	(53 506)	(79 953)
Utilised during the year	39 373	11 609
Businesses disposed	984	-
Transfer to disposal group classified as held for sale	26 613	1 235
Foreign exchange movements	(1 832)	(18)
Balance at the end of the year	**(78 299)**	**(89 931)**

Amounts recognised in profit or loss

Inventories written down for the year ended 30 June 2020 amounted to R100.8 million (2019: R63.1 million). These were recorded in cost of sales.

No inventories are carried at fair value less costs to sell at 30 June 2020.

No reversals of previous inventory write-down's occurred during the year ended 30 June 2020.

Inventories amounting to R57.8 million were transferred to property, plant and equipment during the year ended 30 June 2020.

15. Trade and other receivables

Trade and other receivables are amounts due from customers for goods or services sold or rendered in the ordinary course of business. Trade and other receivables are initially measured at transaction price and subsequently measured at amortised cost in terms of the IFRS 9.

15. Trade and other receivables (continued)

	2020 R'000	Restated[1] 2019 R'000
Trade receivables	**2 143 158**	**1 689 031**
Less: provision for impairment of trade receivables	(102 950)	(76 575)
Less: provision for credit notes	(4 033)	(4 782)
Trade receivables - net	**2 036 175**	**1 607 674**
Prepayments	149 017	68 751
Deposits	8 369	11 863
VAT	103 906	92 175
Accrued income	2 901	24 313
Right of return asset	12 212	4 518
Refund receivable	-	26 629
Isando factory sale - remaining balance outstanding	-	28 370
Other receivables	43 531	26 050
	2 356 111	**1 890 343**
Current trade and other receivables	2 321 597	1 890 343
Non-current trade and other receivables	34 514	-
Trade and other receivables	**2 356 111**	**1 890 343**

[1] The comparatives have been adjusted for the restatement of discontinued operations.

The group considers a receivable amount to be past due once the debtor has exceeded their standard credit terms (30 to 90 days). The group assesses the recoverability of the individual debt and calculates an ECL percentage for each debtor in terms of IFRS 9. Refer to the credit risk section for further details on the credit risk management policies (Note 33).

16. Cash and cash equivalents

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

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

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

16. Cash and cash equivalents (continued)

Cash and cash equivalents consist of the following:

	2020 R'000	Restated[1] 2019 R'000
Rand denominated bank balances	204 142	179 463
Foreign denominated bank balances	141 131	242 101
Cash on hand	577	1 366
Short-term deposits	47 281	41 180
Cash and cash equivalents	**393 131**	**464 110**
Bank overdraft	(49 148)	(66 995)
Net cash and cash equivalents per statement of cash flows	**343 983**	**397 115**

[1] The comparatives have been adjusted for the restatement of discontinued operations.

During July 2018, Ascendis Health issued a long-term share incentive retention scheme (LTI) (Refer to note 23 for more details). Ascendis entered into a transaction with a bank that holds Ascendis shares equal to the phantom shares issued to employees on the LTI scheme. Any shortfall between the current Ascendis share price and the grant date share price should be paid to the bank and is held as collateral against the shortfall. This is restricted cash held by the bank on behalf of Ascendis. It will remain as collateral until the Ascendis share price has moved above the original grant date share price. As at 30 June 2020, an amount of R75.0 million (2019: 45.5 million) is held by the bank as collateral.

The Ascendis group through its treasury department Ascendis Financial Services (Pty) Ltd has a cash sweeping process with its South Africa subsidiaries (Subcos). The purpose of the cash sweeping process is to increase the level of management on the overall cash position of the Ascendis group, as well as addressing the level of working capital management being applied at the subsidiary level. The cash sweeps happen on a daily basis and are based on the demand requirements of the Subcos to finance their working capital needs and in particular, payments to creditors. A buffer amount of R50 000 is left in each Subco's main operational account to cater for smaller supplier payments.

17. Trade and other payables

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

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

	2020 R'000	Restated 2019 R'000
Trade payables	1 110 924	941 973
Other payables	135 789	112 838
VAT	9 884	11 316
Accrued expenses	137 133	158 461
Accrued payroll expenses	117 759	126 464
Refund liabilities	16 285	7 326
Dividends payable	22 971	18 949
Trade and other payables	**1 550 745**	**1 377 327**

18. Provisions

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

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

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

2020 R'000	Opening balance	Transfer to contract liability	Additions	Unused provision reversed	Utilised	Foreign currency translation	Transfer to assets held for sale	Closing balance
Other provisions	7 123	-	35 833	(3 351)	(10 861)	249	(2 198)	**26 795**
Retention bonus provision	-	-	9 407	-	-	-	-	**9 407**
Commission provision	-	-	5 098	-	(971)	-	-	**4 127**
Leave pay provision	46 561	-	20 983	(3 687)	(12 187)	3 797	(4 709)	**50 758**
Restructuring provision	9 533	-	-	(9 886)	-	353	-	**-**
	63 217	**-**	**71 321**	**(16 924)**	**(24 019)**	**4 399**	**(6 907)**	**91 087**

18. Provisions (continued)

2019 Restated R'000	Opening balance	Transfer to contract liability	Additions	Unused provision reversed	Utilised	Foreign currency translation	Transfer to assets held for sale	Closing balance
Other provisions	49 842	-	13 935	(25 417)	(30 470)	455	(1 222)	**7 123**
Warranty provision	12 878	(12 878)	-	-	-	-	-	**-**
Leave pay provision	30 133	-	30 031	(678)	(8 920)	(273)	(3 732)	**46 561**
Restructuring provision	-	-	10 930	-	(1 408)	11	-	**9 533**
	92 853	**(12 878)**	**54 896**	**(26 095)**	**(40 798)**	**193**	**(4 954)**	**63 217**

	2020 R'000	2019 R'000
Current liabilities	91 087	63 217
	91 087	**63 217**

Other provisions

Other provision relates to various matters within the group. These consist of provision for onerous contracts, buy out provision and legal action. These matters may not necessarily be resolved in a manner that is favorable to the group. The group has recognised provisions in respect of these matters based on estimates and the probability of outflow of economic benefits. The group has recognised the provision for legal action in relation to the various legal claims against the group and the group is expecting to settle the obligation.

Retention bonus provision

The retention bonus provision is recognised for payments for senior and middle staff at Scitec.

Commission provision

The commission provision is recognised for payments to sales representatives and divisional managers.

Leave pay

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

Restructuring provision

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

19. Contract liability

Warranty and rebate contract liability

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

Contract liabilities consist of warranty and maintenance obligations that are disclosed separately as they relate to revenue to be recognised over a period of time and not at a point in time.

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

Settlement discount provision

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

2020 R'000	Opening balance	Additions	Unused provision reversed	Utilised	Transfer from assets held for sale	Closing balance
Warranty and rebates	9 983	36 856	-	(6 042)	598	**41 395**
Settlement discount provision	4 082	52 222	(1 809)	(50 318)	548	**4 725**
	14 065	**89 078**	**(1 809)**	**(56 360)**	**1 146**	**46 120**

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

The following table represents the split between current and non-current contract liabilities:	2020 R'000	2019 R'000
Non-current	8 826	5 642
Current liabilities	37 294	8 423
	46 120	**14 065**

20. Deferred vendor liabilities

The group structures its acquisitions to include contingent and deferred consideration which 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 bargain purchase. 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.

	2020 R'000	Restated 2019 R'000
Remedica Group	801 126	634 966
Sun Wave Pharma Group	194 522	282 507
Klub M5 Proprietary Limited	34 499	34 499
Kyron Group	107 460	99 301
	1 137 607	**1 051 273**
Current	34 499	896 798
Non-current	1 103 108	154 475
	1 137 607	**1 051 273**
Deferred consideration	908 004	733 704
Contingent consideration	229 603	317 569
	1 137 607	**1 051 273**

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

- R100 million deferred consideration which was paid in August 2018 after taking into account a discount of R1 million;
- R7.3 million contingent consideration, which would be payable after 1 year, provided that the performance target for a specific division for the period was achieved. Since the performance target was not met, the contingent consideration was not paid;
- R110.6 million deferred consideration, is payable after 18 months (due 01 September 2020). The fair value of the remaining consideration was determined to be R98.8 million as at 30 June 2020. At the maturity date of 01 September 2019, the amount has not yet been paid and as a consequence, resulted in a late payment penalty interest of R8.1 million for the year ended 30 June 2020;
- R22.0 million contingent consideration, payable after 2 years if the performance target for a specific division for the period is achieved. The fair value of the contingent consideration was determined to be R0.6 million. This amount was due on 1 March 2020, it has however not yet been paid resulting in a late payment penalty interest of R18 350 for the year ended 30 June 2020.

20. Deferred vendor liabilities (continued)

- Under the terms of the Kyron Laboratories purchase agreement entered into by the Seller and the Purchaser in terms of which the Purchaser (Ascendis Health Limited) pledged 25% of Kyron shares to the seller as security for the fulfilment of the Ascendis' obligations to pay the deferred and contingent consideration. The vendors have indicated that they are not seeking to exercise their rights relative to the security they hold as a consequence of the late payments and have confirmed their intention to allow Ascendis time to progress on the planned divestment program and subsequently settle the balance due.

- As such the classification of the DVP are based on the expected divestment in Kyron and settlement of the borrowings with a maturity of 31 December 2021 and therefore, the associated liability of R107.4m has been classified as non-current.

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

- €5 million in July 2018 since the EBITDA exceeded €6.5 million, the amount was paid in July 2018.

- €8 million in August 2019 if EBITDA equals or exceeds €7 million for the period, the amount was paid in March 2020. As a result of late payment, Ascendis incurred penalty interest of €1.4 million.

- €6 million in August 2020 if EBITDA equals or exceeds €7.5 million for the period. The targeted EBITDA was met and €2 million of this amount due was paid subsequent to year end.

- An additional payment of €4 million is payable if the average annual EBITDA over the above mentioned three periods exceed €8 million per annum. The targeted EBITDA was met and this amount was due to be paid in August 2020, however this is still to be paid.

- The outstanding contingent consideration is subordinated to the group’s senior debt, stipulated as part of the sales and purchase agreement of the Sun Wave Pharma Group. The debt has a maturity of 31 December 2021 and therefore due to the subordination, the associated liability has been classified as non-current. The subordination place is subject to the sale of the associated Sun Wave Pharma Group or its assets and therefore, its sale in accordance with the disposal milestones of the refinance agreement would result in the subordination falling away. The recipients of the contingent consideration, in accordance with the sales and purchase agreement, have been presented with the option to subscribe to shares in the Sun Wave business, however these were not take up instead opting for settlement of the consideration in cash.

The group acquired **Klub M5** in May 2016. The remaining consideration payable is classified as contingent consideration based on the profit before interest, amortisation and tax (PBIAT) targets achieved relating to the earn out period, 1 March 2016 to 28 February 2019.

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

In terms of the agreement should the average PBIAT for 2017 and 2018 exceed a predetermined threshold, the final settlement value will increase. The final settlement value of R55 million was payable in August 2018, however payment was not made due to various product registration issues. The issue has submitted to arbitration and the previous owners are claiming R34.5 million. The issue is expected to be heard within the next 12 months.

20. Deferred vendor liabilities (continued)

Klub M5 is a discontinued operation and therefore expected that proceeds from its sale to flow to group within 12 months from which settlement of an amount in respect of the liability is expected to be made. Therefore the balance has been classified as current as the sale of Klub M5 is expected to realise within 12 months.

The group acquired the **Remedica Group** in August 2016. The initial deferred consideration of €90 million which was payable in August 2019 was amended in 2017 following negotiations with the previous owners. The renegotiated terms stipulated the total deferred consideration to be €86 million, of which €46 million became payable in August 2017 and the remaining €40 million to be settled in August 2019, however the final amount has not been paid. Late penalty interest of €1.4 million has been incurred for the year ended 30 June 2020.

The outstanding deferred consideration in respect of the Remedica Group is subordinated to the group's senior debt, stipulated as a separate agreement. The debt has a maturity of 31 December 2021 and therefore due to the subordination, the associated liability has been classified as non-current. The subordination place is subject to the sale of the associated Remedica Group or its assets and therefore, its sale in accordance with the disposal milestones of the refinance agreement would result in the subordination falling away.

21. Put-option on equity instrument

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

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

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

- The exercise date relating to the first put-option was amended to any date up until the later of the date 30 days after the audit report of the financial statements for Farmalider for the year ended 31 December 2018 has been formally signed by the auditors or the date 45 days after all reasonable information requested by Ascendis in order to conduct its due diligence process is provided.
- The transfer of shares and payment date was amended from 20 days after the exercise of the first put-option to a date that is still to be formalised, but shall fall within 31 December 2019 and 30 January 2020.
- The second put-call option which was exercisable from 1 January 2021 was cancelled.

21. Put-option on equity instrument (continued)

The amendment resulted in derecognition of the financial liability in terms of the requirements of IFRS 9 *Financial Instruments* and the recognition of a new financial liability in the prior financial period.

The put and call options afforded to the counterparties under the amended agreement were not exercised by 30 January 2020, therefore resulting in the expiry and derecognition of the put-option liability in the current financial year.

The choice not to exercise the put-option constitutes a lapse of the contract, resulting in the liability to be de-recognised against the parent's equity in accordance with the requirements of *IFRS 10 Consolidated Financial Statements.*

Accordingly, the put-option liability was extinguished against the corresponding put-option non-controlling interest reserve and any surplus being recognised against retained income.

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

	2020 R'000	2019 R'000
Current	-	93 622
Total	**-**	**93 622**
Opening balance	93 622	92 417
Interest	-	3 104
Liability derecognised	(95 067)	(95 321)
New liability recognised	-	93 622
Foreign exchange movements	1 445	(200)
Closing balance	**-**	**93 622**

Fair Value

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

The fair value as at 30 June 2020 is €0 (R0); (2019: €5.8 million (R93.6 million)) due to derecognition of the put-option liability. Any fair value adjustments were recorded in profit or loss and the derecognition was recorded in equity.

Therefore, at 30 June 2020 a change in unobservable inputs will not bear any impact on the group in respect to the extinguished put-option liability.

22. Lease liabilities

The lease liability is initially measured at the present value of the following lease payments:

- Fixed payments including non-recoverable payments that do not transfer a separate service, less any incentive receivable.
- Variable lease payments that are based on an index or rate, measured using the index or rate as at the lease commencement date.
- Amounts that are expected to be payable by the lessee under the residual value guarantees.
- The exercise price of a purchase option if the lease is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the group's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the group uses its incremental borrowing rate as the discount rate. The group determines the incremental borrowing rate by obtaining the government bond rates matching the term of the lease and makes specific adjustments to the rate applicable to the lease. Adjustments to the rate applied entailed taking into consideration the terms of borrowing that would be likely to be afforded to the group if it were to acquire and debt finance the acquisition of the underlying asset. This included taking into consideration a probability of default factor specific to the lease-holding entity, loss give of default percentage and transaction or finance origination costs usually levied on such arrangements.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payments made. Interest costs are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. It is remeasured when there is a change in future lease payments arising from a change in the index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Renewal and termination options

A number of lease contracts include the option to renew the lease for further periods or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extensions options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. Management applies judgement in assessing whether it is likely that options will be exercised. Factors considered include how far in the future an option occurs, significance of related leasehold improvements and past history of terminating/not renewing leases. The assessment is reviewed if a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

22. Lease liabilities (continued)

Lease and non-lease components

A number of lease contracts include both lease and non-lease components (e.g. maintenance). The group allocates the consideration in each contract to each lease and non-lease component based on their relative stand-alone selling prices, where applicable. The stand-alone selling prices of each component are based on available market prices.

The group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

Policy applicable before 1 July 2019

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

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

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

	2020 R'000	1 July 2019 R'000
Current	55 192	62 804
Non-current	294 186	261 844
Total lease liabilities	**349 378**	**324 648**

Amounts recognised in the income statement	2020 R'000	2019 R'000
Interest expense included in finance costs	33 445	-
Expense relating to short-term and low value leases included in other operating expenses	10 663	-
Amounts recognised in the statement of cash flows		
Continuing Operations		
Interest paid	30 327	-
Repayments of lease liabilities	55 793	-
Cash outflow on leases	**86 120**	**-**
Discontinued Operations		
Interest paid	3 118	-
Repayments of lease liabilities	10 877	-
Cash outflow on leases	**13 995**	**-**
Total cash outflow on leases	**100 115**	**-**

22. Lease liabilities (continued)

Disclosure before 1 July 2019

	2019 R'000
Minimum lease payments due	
Within one year	13 243
Two to five years	19 786
	33 029
less: future finance charges	(1 588)
Present value of finance lease liabilities	**31 441**
Present value of minimum lease payments due	
Within one year	12 747
Two to five years	18 694
	31 441

The remaining finance lease obligation is repayable over a period of time that ranges up to five years, bearing interest at an average of 4% and is secured by plant and machinery to the value of R31 million as at 30 June 2019.

23. Employee benefit obligations

Ascendis has the following employee benefit obligations:

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

Employee benefit obligations consist of the following:	2020 R'000	2019 R'000
Non-current		
Employee benefit scheme	-	5 120
Long-term incentive scheme	-	1 527
Total employee benefit obligations	**-**	**6 647**

Employee benefit scheme

Ascendis had implemented an employee incentive scheme to retain and remunerate key staff members in the form of a lump sum payable after a specified term of employment. However, effective July 2019, the employee incentive scheme was approved to be cancelled by the human capital committee. Accordingly, the liability pertaining to the scheme was reversed and recognised as such in profit and loss.

To determine the day one fair value of the long-term employee benefit, the key assumptions applicable to the value thereof at 30 June 2019 were a risk free rate of 8.63% as well as the probability of pay-out. Management applied their judgement in determining the likelihood of key staff members staying employed with Ascendis for the full duration of the scheme. The assumption was based on the group’s historical staff turnover as well as facts and circumstances relating to each individual.

23. Employee benefit obligations (continued)

Long-term incentive scheme (LTI)

The group issued a long-term incentive award retention scheme in July 2018 which is based on the performance of the Ascendis share price. The scheme is designed to retain and recognise contributions of eligible employees and to provide additional incentives to contribute to the group's growth. The scheme is exercisable in three tranches after 3, 4 and 5 years on an equal basis of 33.3% per tranche. The exercise dates for the tranches are 1 October 2021, 1 October 2022 and 1 October 2023 respectively. Exercised LTI awards are cash settled and the eligible employees will be entitled to receive cash equal to the difference between the tradeable price above the award price, multiplied by the number of the LTI awards granted. The scheme vests to all eligible employees provided that they are still employed by the group on the date that the LTI awards granted becomes exercisable.

The LTI is a cash-settled scheme accounted for in terms of IFRS 2 *Share-based payments*. The fair value of the amount payable to employees in respect of cash-settled incentive scheme is recognised as an expense with a corresponding increase in liabilities, over the period which the employees become unconditionally entitled to a payment. The liability is remeasured to fair value at each reporting date and at settlement date. Any changes in the liability are recognised in profit or loss. Given that the Ascendis share price is significantly lower than the award price at year end, management concluded that it was unlikely that the share price will exceed the award price resulting in the remeasurement of the liability to Rnil at year end.

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

Number of LTI awards	2020	2019
Tranche 1	1 307 667	1 436 500
Tranche 2	1 307 667	1 436 500
Tranche 3	1 307 667	1 436 500
	3 923 001	**4 309 500**

Fair value	2020	2019
Tranche 1	-	484
Tranche 2	-	517
Tranche 3	-	526
	-	**1 527**

23. Employee benefit obligations (continued)

Reconciliation	Number of LTI awards 2020	Number of LTI awards 2019	2020 R'000	2019 R'000
Opening balance	4 309 500	6 661 500	1 527	-
(Credit)/charge to profit or loss[1]	-	-	(1 527)	1 527
LTI awards forfeited	(386 499)	(2 352 000)	-	-
Settled	-	-	-	-
Closing balance	**3 923 001**	**4 309 500**	**-**	**1 527**

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

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

Assumptions and facts	2020	2019
Grant Date	01 July 2018	01 July 2018
Strike price	R10.56	R10.56
Vesting period	3, 4 & 5 years	3, 4 & 5 years
Ascendis share price at measurement date	R0.84	R4.70
Expected volatility	140.08%	66.11%
Risk free interest rate	4.68%-5.65%	7.16% - 7.40%
Number of LTI awards conditionally granted	3 923 001	4 309 500
Ascendis share price at valuation date (30 day VWAP)	R0.98	R4.61

24. Stated Capital

Ordinary shares

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

Treasury shares

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

24. Stated capital (continued)

	2020 R'000	Restated[2] 2019 R'000
Opening balance	5 975 703	6 512 930
Equity price variance reserve[2]	-	(450 113)
Opening balance (restated)	5 975 703	6 062 817
Treasury shares acquired during the year[1]	-	(87 114)
Closing balance	**5 975 703**	**5 975 703**

[1] Treasury shares acquired by Elixr Brands (Pty) Ltd for R5.4 million and treasury shares acquired by Ascendis Financial Services (Pty) Ltd in terms of the abovementioned TRS agreement with Absa for R81.7 million.
[2] Stated capital was restated due to a reclassifcation of the equity price variance reserve to stated capital. Refer to the representations and prior period error section of the accounting policy note for more details.

Number of shares	2020 '000	Restated 2019 '000
Authorised shares (no par value)	2 000 000	2 000 000
Issued shares *(fully paid up)*	489 470	489 470

Reconciliation of number of shares in issue net of treasury shares:	2020 '000	2019 '000
Ordinary shares - opening balance	477 515	485 500
Issued during the year	-	-
Ordinary shares - closing balance	477 515	485 500
Treasury shares movement in the year[1]	-	(7 985)
Held at the beginning of the period	11 955	3 970
Held at the end of the period	(11 955)	(11 955)
Net closing balance	**477 515**	**477 515**

[1]Treasury shares are held by Elixr Brands (Pty) Ltd and accounted for on a substance over form basis by Ascendis Financial Services (Pty) Ltd.

Ascendis entered into a total return swap (TRS) with Absa in 2019 which was incorrectly accounted for in the prior year financial statements, refer to prior period error under the Accounting policies note for further details. The comparatives for 2019 have been restated.

25. Other reserves

Other reserves - 30 June 2020

R'000	Common control reserve[1]	Distributable reserve[2]	Statutory reserve[3]	Total other reserves
Balance as at 1 July 2019	**(90 541)**	**52 260**	**3 868**	**(34 413)**
Foreign currency translation	-	12 796	-	12 796
Deregistration of subsidiary	(406)	-	-	(406)
Farmalider allocation of statutory reserve	-	-	692	692
Reclassification to retained earnings	8 936	6 351	-	15 287
Total contributions by and distributions to owners of the group recognised directly in equity	**8 530**	**19 147**	**692**	**28 369**
Balance as at 30 June 2020	**(82 011)**	**71 407**	**4 560**	**(6 044)**

(1) Reserves from restructuring of CGU's within the Ascendis group.
(2) Reserve relates to Farmalider's group accumulated earnings which could be distributed as a dividend, at the board's discretion.
(3) Spanish law requires Farmalider to disitribute, at least annually 10% of the profit for the year until the statutory reserve is 20% of Farmalider's share capital.

Other reserves - 30 June 2019
Restated

R'000	Common control reserve	Distributable reserve	Statutory reserve	Total other reserves
Balance as at 1 July 2018	**(91 012)**	**52 387**	**46 168**	**7 543**
Foreign currency translation	(47)	(127)	-	(174)
Farmalider allocation of statutory reserve	-	-	(42 300)	(42 300)
Reclassification to retained earnings	518	-	-	518
Total contributions by and distributions to owners of the group recognised directly in equity	**471**	**(127)**	**(42 300)**	**(41 956)**
Balance as at 30 June 2019	**(90 541)**	**52 260**	**3 868**	**(34 413)**

26. Cash generated from operations

	2020 R'000	Restated[1] 2019 R'000
Loss after tax from continuing operations	**(902 572)**	**(1 777 337)**
Adjustments for:		
Tax from continuing operations	(56 570)	128 876
Depreciation and amortisation	381 421	248 127
Impairment of intangible assets	434 727	1 589 264
Impairment of property, plant and equipment	204 233	15 500
Impairment of investment accounted for using the equity method	-	1 971
Impairment of non-current assets held for sale	14 324	-
Net loss/(profit) on sale of assets	172	(1 279)
Net profit on disposal of subsidiary	-	(17 143)
Net loss/(profit) on foreign exchange	3 883	(6 701)
Put-option remeasurement	-	(1 700)
Fair value measurement of financial assets and liabilities	-	13 953
Provisions and contract liability raised	95 147	45 317
Net movement in trade and other receivables estimated credit losses	91 498	18 074
Net movement in obsolete stock allowance	51 022	70 418
Finance income	(10 395)	(4 290)
Finance expense	865 858	407 802
Remeasurement of deferred vendor liabilities	-	(35 911)
Long term incentive adjustment	(7 001)	(10 653)
Capitalised fees amortised	50 222	26 985
Impairment of other financial assets	25 633	17 650
Changes in working capital:		
Inventories	(229 671)	(159 364)
Trade and other receivables	(413 561)	6 417
Trade and other payables	182 263	64 502
Provisions	(26 944)	(59 659)
Cash generated from operations	**753 689**	**580 819**

[1] The comparatives have been restated for the change in discontinued operations.

27. Net debt[PM]

	2020 R'000	Restated[(1)] 2019 R'000
Cash and cash equivalents	393 131	464 110
Debt repayable within one year including bank overdrafts	(678 961)	(6 614 944)
Debt repayable after one year	(7 682 381)	(388 042)
Net debt[PM]	**(7 968 211)**	**(6 538 876)**
Cash and cash equivalents	393 131	464 110
Gross debt - fixed interest rate	(1 536 132)	(5 690 917)
Gross debt - variable interest rate	(6 825 210)	(1 312 069)
Net debt[PM]	**(7 968 211)**	**(6 538 876)**

(1) The comparatives have been restated for the change in discontinued operations.

27. Net Debt^PM (continued)

Net debt^PM reconciliation

R'000	Cash and cash equivalents	Repayable within 1 year: Finance leases	Repayable within 1 year: Borrowings	Repayable within 1 year: Deferred vendor liabilities	Repayable within 1 year: Put option on equity instrument	Repayable within 1 year: Employee benefit obligations	Repayable after 1 year: Finance leases	Repayable after 1 year: Borrowings	Repayable after 1 year: Deferred vendor liabilities	Repayable after 1 year: Put option on equity instrument	Repayable after 1 year: Employee benefit obligations	Total
Net debt^PM as at 30 June 2018	686 623	(15 099)	(939 272)	(422 970)	(78 108)	(12 180)	(26 976)	(4 554 138)	(876 386)	(14 309)	(4 714)	(6 257 529)
Cashflows - principal / capital portion	(288 516)	3 697	476 452	230 061	-	-	13 220	(605 763)	-	-	-	(170 849)
Foreign exchange adjustments	(992)	95	25	1 144	620	-	369	(1 213)	3 040	(420)	-	2 668
Reclassification	-	-	(3 866 195)	-	-	-	-	3 866 195	-	-	-	-
Other adjustments / movements [(1)]	-	(1 440)	(1 215 792)	(705 033)	(16 134)	12 180	(5 307)	1 086 693	718 871	14 729	(1 933)	(113 167)
Net debt^PM as at 30 June 2019	**397 115**	**(12 747)**	**(5 544 782)**	**(896 798)**	**(93 622)**	**-**	**(18 694)**	**(208 226)**	**(154 475)**	**-**	**(6 647)**	**(6 538 876)**
Cashflows - principal / capital portion	(90 440)	28 677	(75 323)	-	-	-	27 116	201 105	172 232	-	-	263 367
Foreign exchange adjustments	37 308	(11 980)	(33 304)	-	(1 445)	-	(25 413)	(766 240)	(197 944)	-	-	(999 018)
Reclassification	-	-	3 969 831	862 299	-	-	-	(3 969 831)	(862 299)	-	-	-
Other adjustments / movements [(1)]	-	(59 142)	1 143 455	-	95 067	-	(277 195)	(1 541 895)	(60 622)	-	6 647	(693 685)
Net debt^PM as at 30 June 2020	**343 983**	**(55 192)**	**(540 123)**	**(34 499)**	**-**	**-**	**(294 186)**	**(6 285 087)**	**(1 103 108)**	**-**	**-**	**(7 968 212)**

[(1)] The interest portion in respect of debt liabilites is included in other adjustments / movements

28. Dividends paid

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

The group's dividend policy is to pay a dividend that grows year on year, subject to the following:

- Dividend cover limited to the lesser of :
  - 8 x Adjusted EBITDA^{PM} (Debt Covenant) or;
  - 6 x Profit after tax attributable to parent equityholders, adjusted for once off accruals.
- Subject to solvency & liquidity tests of the Companies Act.

Adjusted EBITDA^{PM} is EBITDA^{PM} including 12 months for acquisitions during the period and excluding disposals in the same period.

No dividend per share has been declared to owners of the parent in the 2020 financial year (2019: Nil).

Dividend declared to non-controlling interest in the current year amounted to R2.8 million (2019: R13.2 million). The table below shows a reconciliation of dividends payable.

	2020 R'000	2019 R'000
Balance at the beginning of the year	(18 949)	(7 576)
Dividends declared	(4 226)	(13 211)
Foreign exchange differences	204	(167)
Balance at the end of the year	22 971	18 949
Dividends paid	**-**	**(2 005)**

29. Tax paid

	2020 R'000	Restated[1] 2019 R'000
Balance at the beginning of the period	(44 767)	20 410
Current tax for the year recognised in profit or loss	(51 019)	(91 754)
Disposal of a subsidiary	(16 392)	921
Transfer to discontinued operations	(13 159)	(28 040)
Foreign exchange differences	(727)	809
Tax Authorities Refund Credit	(2 985)	-
Fines and Penalties	5 120	-
Balance at the end of the period	30 987	44 766
Current tax receivable	(49 696)	(79 197)
Current tax payable	80 683	123 963
Tax paid	**(92 942)**	**(52 888)**

[1] The comparatives have been restated for the change in discontinued operations.

30. Discontinued operations

In accordance with the guidance provided in *IFRS 5: Non-current assets held for sale and discontinued operations,* Ascendis represents its comparative information in order to reflect disposal group classified as held for sale and discontinued operations in the current year as well as any changes in plan to sell disposal groups.

As a result, discontinued and continuing operations are restated accordingly in order to appropriate reflect the aforementioned changes to assets, liabilities and operations applicable within the scope of *IFRS 5: Non-current assets held for sale and discontinued operations.*

30.1 Change of plan to sell

During the 2019 financial year, the group received an unsolicited offer in respect of the Remedica business. The group decided to dispose the business and was involved in negotiations with potential buyers. The business was classified as a discontinued operation and held for sale as at 30 June 2019. However, due to circumstances beyond the group's control, the negotiations were terminated during the final stages of the disposal process in December 2019. As a result, the business ceased to be classified as a discontinued operation and held for sale in the period under review. The June 2019 amounts have been restated in accordance with the requirements of IFRS 5 and have now been included in continuing operations as if the disposal group had never been classified as held for sale nor a discontinued operation.

30.2 Discontinued operations

The following operations are 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 was intended 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, please refer to note 31 for further details with regards to the disposal. In respect of Tranche 2, a delay is expected for finalisation of a sales agreement compared to what was initially anticipated being by the end of October 2020, arising from a change in circumstances occurring after year end. Nonetheless management remain committed and aligned to its original planned date of conclusion of the sale. Therefore it is still expected for disposal to take place within 12 months after reporting date.

The remaining business (Tranche 2) has been classified as a discontinued operation and held for sale, continuing to be effective from 30 November 2018 in accordance with the grounds for extension past 12 months as per IFRS 5 being met in respect of both the classification as a disposal group held for sale as well as discontinued operation.

Ascendis Direct

Ascendis Direct ("AD") is the group's direct selling and network marketing business selling Sportron and Swissgarde products, operating in Southern Africa and Nigeria. AD has limited integration with Ascendis as it operates its own management structure, head office and supply chain. The AD business model is not applied anywhere else in the group and as a result identified for divestment.

30. Discontinued operations (continued)

During the current year and prior years, a number of potential buyers were identified and entered into a sale due diligence process with, however, the transactions did not materialise. Negotiations have however subsequently been concluded with a buyer and the disposal of AD was successfully concluded on 31 August 2020. Therefore AD is still classified as a discontinued operation and held for sale as at 30 June 2020.

Scitec

In the current year a decision was made to sell Scitec, as a consequence of the ongoing depressed performance of the segment and the divestment obligations imposed on the group as part of the required restructuring and extension of debt facilities (please refer to note 3 for more details).The conditions for the business segment to be classified as both a disposal group held for sale as well as a discontinued operation were met effective from 30 April 2020 and Ascendis announced fulfillment of the conditions precedent to the disposal as at 31 July 2020. The June 2019 statement of profit and loss financial information has been restated in accordance with the requirements of IFRS 5.

The following operation has been classified as a discontinued operation in the prior year:

Ascendis sports nutrition

Following a review of the sports nutrition business the group had decided at the point in time of the 2019 reporting date to focus solely on its biggest sports nutrition brand, Scitec, in targeted consumer segments and geographies. The group therefore no longer planned to offer its portfolio of sports nutrition brands in the South African and Australian market. The group concluded the sale of the business, which includes Evox, SSN, Supashape, Muscle Junkie and Nutrimax, effective 1 August 2018. The sports nutrition business was sold for a consideration of R54 million, a loss on sale of R0.5 million was recognised in the statement of profit or loss.

30.3 Held for sale

In addition to the businesses mentioned above, a plan to sell the shares in Dezzo Trading 392 (Pty) Ltd was effective from 31 May 2020 in the current year. The sales agreement specifies only certain assets and liabilities as part of the sale and therefore these were the assets and liabilities classified as held for sale. This business forms part of the Pharma Segment and did not constitute a discontinued operation at 30 June 2020. The transaction is expected to be concluded by 28 February 2021.

30. Discontinued operations (continued)

R'000	2020 R'000 Biosciences	2020 R'000 Ascendis Direct	2020 R'000 Scitec	2020 R'000 Total	Restated (1) 2019 R'000 Biosciences	Restated (1) 2019 R'000 Ascendis Direct	Restated (1) 2019 R'000 Scitec	Restated (1) 2019 R'000 Ascendis Sport Nutrition	Restated (1) 2019 R'000 Total
Revenue	336 258	53 683	1 188 607	1 578 548	856 553	81 017	1 246 002	428	2 184 000
Expenses	(301 757)	(77 898)	(1 163 124)	(1 542 779)	(762 774)	(89 833)	(1 293 786)	(21 750)	(2 168 143)
Profit on sale of portion of disposal group	107 036	-	-	107 036	-	-	-	-	-
Profit/(loss) before impairments	141 537	(24 215)	25 483	142 805	93 779	(8 816)	(47 784)	(21 322)	15 857
Impairments of assets	(31 438)	(12 160)	(267 899)	(311 497)	(254 582)	(39 143)	(2 590 614)	(10 126)	(2 894 465)
Profit/(loss) before tax	**110 099**	**(36 375)**	**(242 416)**	**(168 692)**	**(160 803)**	**(47 959)**	**(2 638 398)**	**(31 448)**	**(2 878 608)**
Tax	1 676	(1 508)	(1 453)	(1 285)	(31 337)	(594)	(7 259)	(4 478)	(43 668)
Profit/(loss) after income tax expense of discontinued operation	**111 775**	**(37 883)**	**(243 869)**	**(169 977)**	**(192 140)**	**(48 553)**	**(2 645 657)**	**(35 926)**	**(2 922 276)**
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	**111 775**	**(37 883)**	**(243 869)**	**(169 977)**	**(192 140)**	**(48 553)**	**(2 645 657)**	**(35 926)**	**(2 922 276)**

(1) 30 June 2019 have been restated to reflect the change in plan to sell Remedica which ceases to be a discontinued operation and restating Scitec which is classified as held for sale and a discontinued operation in terms of the requirement of IFRS 5.

30. 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:

	2020 R'000					Restated [1] 2019 R'000		
R'000	Biosciences	Ascendis Direct	Scitec	Dezzo Trading 392 (Pty) Ltd	Total	Biosciences	Ascendis Direct	Total
Property, plant and equipment	6 651	-	-	-	6 651	42 304	-	42 304
Intangible assets & Goodwill	44 167	-	-	-	44 167	254 205	-	254 205
Right-of-use asset	24 303	-	-	-	24 303	-	-	-
Deferred tax asset	12 896	8 528	8 637	5 652	35 713	12 452	3 148	15 600
Inventories	93 555	-	170 779	51 163	315 497	166 197	8 440	174 637
Current income tax receivable	5 161	839	4 699	-	10 699	2 581	839	3 420
Trade and other receivables	60 632	1 726	142 338	-	204 696	138 142	13 985	152 127
Cash and cash equivalents	5 240	7 722	48 982	-	61 944	44 827	11 636	56 463
Other financial assets	259	-	-	-	259	289	4	293
Assets held for sale	**252 864**	**18 815**	**375 435**	**56 815**	**703 929**	**660 997**	**38 052**	**699 049**
Borrowings	(197)	-	-	-	(197)	(197)	-	(197)
Lease liabilities	(23 821)	(2 384)	(85 001)	-	(111 206)	-	-	-
Deferred tax liability	(17 164)	-	(71 438)	(1 341)	(89 943)	(32 775)	(907)	(33 682)
Trade and other payables	(65 093)	(4 547)	(137 374)	(27 907)	(234 921)	(121 479)	(5 688)	(127 167)
Provisions	(5 582)	(1 270)	(4 350)	(566)	(11 768)	(8 509)	(1 616)	(10 125)
Current Income tax payable	(15)	(114)	(2 211)	-	(2 340)	(2 548)	(841)	(3 389)
Liabilities held for sale	**(111 872)**	**(8 315)**	**(300 374)**	**(29 814)**	**(450 375)**	**(165 508)**	**(9 052)**	**(174 560)**

[1] 30 June 2019 have been restated to reflect the change in plan to sell Remedica which ceases to be a discontinued operation and therefore not classified as held for sale anymore.

30. Discontinued operations (continued)

The change in plan to sell Remedica and being reinstated as a continuing operation has the following impact on the June 2020 financial information:

Statement of Profit and Loss	2020 R'000
Revenue	2 160 491
Expenses	(1 607 147)
Income tax	(3 882)
Net Impact	**549 462**

Statement of Financial Position	2020 R'000
Property, plant and equipment	816 353
Intangible assets and goodwill	3 585 652
Right-of-use asset	14 080
Deferred tax asset	378
Current income tax receivable	6 729
Derivative financial assets	436
Other financial assets	749
Inventories	551 397
Trade and other receivables	1 173 519
Cash and cash equivalents	38 647
Total assets	**6 187 940**
Borrowings	160 631
Lease liabilities	14 564
Deferred vendor liability	801 125
Deferred tax liability	195 622
Derivative financial liabilities	655
Trade and other payables	494 027
Provisions	17 557
Current income tax payable	10 307
Bank overdraft	49 132
Total liabilities	**1 743 620**
Net Impact	**4 444 320**

Please refer to the Restatements note as included in Accounting Policies for details of the impact of the change in plan to sell Remedica on the June 2019 reported financial information.

31. Disposal of subsidiaries

During the current year, the group sold its investment and interests in the following subsidiaries as part of tranche 1 of the Biosciences disposal transaction:

- Specified assets and liabilities of Efekto Care (Pty) Ltd;
- Specified assets and liabilities of Marltons Pets and Productions (Pty) Ltd;
- Agro-Serve (Pty) Ltd;
- Agro-Serve (Pty) Ltd (Namibia);
- Afrikelp (Pty) Ltd;
- Taurus Chemicals Cape Kelp (Pty) Ltd;
- Akusa Inc. (USA);
- Afrikelp Investments (Pty) Ltd; and
- Afrikelp Holdings (Pty) Ltd.

The disposal was concluded on 31 July 2019 when all the conditions precedent were met. The carrying amount of assets and liabilities that were reclassified to non-current assets held for sale and subsequently sold at 31 July 2019 were:

	2020 R'000
Property, plant and equipment	43 324
Intangible assets and goodwill	182 418
Right-of-use assets	10 999
Deferred tax assets	3 293
Current income tax receivable	2 222
Inventories	81 349
Trade and other receivables	92 449
Other financial assets	46
Cash and cash equivalents	48 586
Total assets	**464 686**
Lease liabilities	(13 222)
Deferred tax liability	(12 890)
Trade and other payables	(67 079)
Provisions	(4 720)
Current income tax payable	(1 229)
Total liabilities	**(99 140)**
Carrying amount of net assets disposed	**365 546**
Total disposal consideration - cash	**472 582**
Gain on disposal	**107 036**
Net cash	
Cash received	472 582
Less: Cash and cash equivalents balance of disposed subsidiaries	(48 586)
Net cash received on sale	**423 996**

32. Group companies

Composition of the group

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

There are no significant joint ventures in the group.

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

The group has concluded that it controls Farmalider, even though it holds 49% interest. Following the expiry of the option to acquire the remainder of the shares in respect of Farmalider during the current year (refer to Note 21 for further details), Ascendis determined that they have continued control over Farmalider in accordance with the requirements of IFRS 10 based on the following facts:

- Ascendis holds a majority of the voting rights in respect of Farmalider,
- Ascendis' appointed directors have the right to the casting vote on key decisions, and
- Ascendis possesses a substantial degree of power over Farmalider by assuming financial control of Farmalider as defined in accordance with the provisions of the shareholder agreement in place between Ascendis and non-controlling shareholders.

Details of partially owned subsidiaries

	Proportion of ownership interest and voting rights held by non-controlling interests		Profit attributable to non-controlling interests		Equity attributable to non-controlling interests	
						Restated[1]
	2020 R'000	2019 R'000	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Farmalider	51%	51%	(64 735)	8 114	104 721	161 341
Individually immaterial subsidiaries with non-controlling interests	39%	38%	(6 994)	2 465	(55)	7 352
			(71 729)	**10 579**	**104 666**	**168 693**

(1) The equity attributable to non-controlling interests have been restated due to an incorrect allocation between Farmalider and the individually immaterial subsidiaries with non-controlling interests. The balance of Farmalider increased with R22.5 million and the other non-controlling interest decreased by the same amount.
Please refer to the Restatement section included in Accounting Policies in this regard.

32. Group companies (continued)

Material non-controlling interests

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

Summarised statement of profit and loss and other comprehensive income	2020 R'000	2019 R'000
Revenue	618 743	579 347
Profit before tax	(164 495)	15 378
Total comprehensive income	**(148 613)**	**7 790**

Summarised statement of financial position	2020 R'000	2019 R'000
Non-current assets	279 936	320 640
Current assets	395 560	275 520
Total assets	**675 496**	**596 160**
Non-current liabilities	162 966	54 704
Current liabilities	355 915	288 613
Total liabilities	**518 881**	**343 317**
Total net assets	**156 615**	**252 843**

Summarised statement of cash flow	2020 R'000	2019 R'000
Cash flows from operating activities	(31 531)	59 362
Cash flows from investing activities	(44 744)	(57 827)
Cash flows from financing activities	60 314	(7 421)
Net decrease in cash and cash equivalents	**(15 961)**	**(5 886)**

33. Financial instruments

Accounting for financial instruments

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

33. Financial instruments (continued)

Recognition and classification

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

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

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

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

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

Measurement on initial recognition

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

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

Derecognition

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

33. Financial instruments (continued)

Modification of financial liabilities

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

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

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position. As at 30 June 2020, no offsetting of financial instruments was done.

Impairment

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

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

33.1 Financial risk management

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

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

The audit and risk committee has oversight of group risk management and the group treasury function manages various financial risks in accordance with the policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. The group treasury function identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The group treasury risk management objective is to protect all foreign exposures using foreign exchange contracts. The forward exchange contracts acquired by group treasury are treated as economic hedges. Please refer to Note 34 and the sensitivity on foreign currency exposure for the quantification of the instruments.

33. Financial risk management (continued)

33.2. Categories of financial instruments

2020 R'000	Amortised cost	Mandatorily at fair value through profit or loss	Fair value through OCI	Total carrying amount[1]
Financial assets				
Non-current				
Other financial assets	45 558	-	-	45 558
Trade and other receivables	15 879	-	-	15 879
Current				
Trade and other receivables	2 179 179	-	-	2 179 179
Other financial assets	5 557	-	-	5 557
Derivative financial instruments	-	961	-	961
Cash and cash equivalents	393 131	-	-	393 131
	2 639 304	**961**	**-**	**2 640 265**
Financial liabilities				
Non-current				
Borrowings and other financial liabilities	6 285 087	-	-	6 285 087
Deferred vendor liabilities	801 125	301 983	-	1 103 108
Lease liabilities	294 186	-	-	294 186
Current				
Borrowings and other financial liabilities	540 123	-	-	540 123
Deferred vendor liabilities	-	34 499	-	34 499
Derivative financial instruments	-	655	-	655
Lease liabilities	55 192	-	-	55 192
Trade and other payables	1 279 102	-	-	1 279 102
Bank overdraft	49 148	-	-	49 148
	9 303 963	**337 137**	**-**	**9 641 100**

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

33. Financial risk management (continued)

33.2. Categories of financial instruments (continued)

Restated[2] 2019 R'000	Amortised cost	Mandatorily at fair value through profit or loss	Fair value through OCI	Total carrying amount(1)
Financial assets				
Non-current				
Other financial assets	57 335	-	-	57 335
Current				
Trade and other receivables	1 808 951	-	-	1 808 951
Other financial assets	6 439	-	-	6 439
Derivative financial instruments	-	134	-	134
Cash and cash equivalents	464 110	-	-	464 110
	2 336 835	**134**	**-**	**2 336 969**
Financial liabilities				
Non-current				
Borrowings and other financial liabilities	208 226	-	-	208 226
Deferred vendor liabilities	-	154 475	-	154 475
Current				
Borrowings and other financial liabilities	5 544 782	-	-	5 544 782
Deferred vendor liabilities	634 965	261 832	-	896 797
Put option on equity instrument	93 622	-	-	93 622
Trade and other payables	1 066 431	-	-	1 066 431
Derivative financial instruments	-	1 476	1 267	2 743
Bank overdraft	66 995	-	-	66 995
	7 615 021	**417 783**	**1 267**	**8 034 071**

[1] The carrying amount of financial assets and liabilities closely approximates the fair value.
[2] The comparative year has been adjusted for the restatement of discontinued operations

33.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Cash flow forecasting is performed in the operating entities of the group and aggregated by the group treasury function to actively manage the group's projected cash flows and prevent any potential future liquidity constraints. Group treasury monitors rolling forecasts of the group’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times to ensure the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

33. Financial instruments (continued)

33.3 Liquidity risk (continued)

The Covid-19 pandemic has had a considerable pervasive impact to the global economic environment and inherently liquidity risk perceived. Please refer to the Directors Report for management's considerations, observations and response in respect of the pandemic.

Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements (for example, exchange control restrictions).

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

At year end the group had the following liquid resources: trade and other receivables R2 312.1 million (2019: R1 878.5 million) (Note 15), short-term deposits of R47.3 million (2019: R41.2 million) and bank balances of R345.8 million (2019: R422.9 million) (including restricted cash of R75.0 million ; 2019: R45.5 million) (Note 16) to manage liquidity risk. Additionally, undrawn ZAR denominated facilities of R265.0 million (2019: nil), EURO denominated facilities of €6.6 million (2019: nil) and overdraft facilities. Refer to the Going concern section of the Accounting policies note for more information on the group's liquidity constraints and actions put in place by management to address it.

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

2020 R'000	Note	3 months	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
Continuing operations							
Borrowings and other financial liabilities	**3**	170 247	721 480	6 761 440	43 609	-	7 696 776
Lease liabilities	**22**	50 391	137 883	144 570	258 007	72 056	662 907
Deferred vendor liabilities	**20**	-	34 499	1 158 839	-	-	1 193 338
Bank overdraft	**16**	49 148	-	-	-	-	49 148
Trade and other payables	**17**	1 194 159	84 943	-	-	-	1 279 102
Total		**1 463 945**	**978 805**	**8 064 849**	**301 616**	**72 056**	**10 881 271**
Discontinued operation	**30**						
Borrowings and other financial liabilities (1)		197	-	-	-	-	197
Lease liabilities		4 238	12 820	17 517	45 537	12 222	92 334
Trade and other payables		86 646	46 864	-	-	-	133 510
Total		**91 081**	**59 684**	**17 517**	**45 537**	**12 222**	**226 041**

(1) Borrowings excludes the senior debt portion previously associated with Scitec as the debt is remaining as part of continuing operations

33. Financial instruments (continued)

Restated[1]

2019 R'000	Note	3 months	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
Continuing operations							
Borrowings and other financial liabilities	**3**	777 443	4 767 339	127 960	76 020	4 246	5 753 008
Deferred vendor liabilities	**20**	718 007	178 791	154 474	-	-	1 051 272
Put-option liability		-	93 622	-	-	-	93 622
Bank overdraft	**16**	66 995	-	-	-	-	66 995
Trade and other payables	**17**	998 896	67 535	-	-	-	1 066 431
Total		**2 561 341**	**5 107 287**	**282 434**	**76 020**	**4 246**	**8 031 328**
Discontinued operations	**30**						
Trade and other payables		175 789	-	-	-	-	175 789
		175 789	**-**	**-**	**-**	**-**	**175 789**

[1] The comparatives have been restated as a result of a change in the classification of Remedica as a discontinued operation to continuing operation.

33.4 Credit risk

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

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

Impairment of financial assets

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

- Trade receivables
- Other receivables
- Other financial assets

The application of the ECL model has a minor impact on other receivables.

Trade receivables

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

33. Financial instruments (continued)

33.4 Credit risk (continued)

The group applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics, size and the days aged.

The credit loss allowance is measured using a combination of the simplified parameter-based approach and the provision matrix. Provision matrix is applied to the general debtors book where each customer contributes to less than 10% of the total debtors book. The simplified parameter-based approach is applicable to government customers and listed customers with a balance of more than 10% of the total debtors book as at year end.

Provision matrix

ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write offs to the payment profile of the sales population. In instances where there was no evidence of historical write offs, management used a proxy write off. Trade receivables balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. Similarly, the sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with the future payment expectations.

The historic loss ratio is then adjusted for forward-looking information to determine the ECL for the portfolio of trade receivables at the reporting date to the extent that there is a strong correlation between the forward-looking information and the ECL.

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

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

Covid-19 credit risk considerations

An almost unanimous trend across economies, industries and markets the like have reflected significant increases in credit risk as a result of the Covid-19 pandemic. The severely impacted forward outlook offered by forecasted economic data, has resulted in consistent responses from regulators and ratings agencies whereby their scenarios have been adjusted to reflect this change in risk negatively.

Particular to the group, Moody’s Analytics updated their forecasts to reflect this risk by taking into account the possible spread of the epidemic throughout the country, the economic impact thereof including measures taken to prevent the spread and lastly measures taken by government to ameliorate the economic impact.

33. Financial instruments (continued)

33.4 Credit risk (continued)

As a result, the various scenarios forecast as offered by Moody's demonstrated a contraction of between 6% and 12% and this translating into notable impact on management's assessment and response to credit risk and appropriately reflecting as such in the credit risk adjustments required to be made and disclosed under IFRS requirements. The adjustments encompassed applying downturn loss given default (LGD) measures to reflect added short-term risk inherent in the Covid-19 economy. The aforementioned forecasted scenarios that have demonstrate the negative outlook were used formulating the forward-looking adjustment required to generate estimated credit losses (ECL) and therefore illustrative of the consideration taken by management of the impact of the Covid-19 on its credit risk response.

Significant judgement

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

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

33. Financial instruments (continued)

33.4 Credit risk (continued)

The loss allowance as at 30 June 2020 for trade receivables to which the provision matrix had been applied is determined as follows:

2020 R'000	Gross carrying amount	Impairment	Average ECL/ impairment ratio
Continuing operations			
Current	945 110	(23 588)	2.50%
Up to 30 days aged	288 894	(14 814)	5.13%
Up to 60 days aged	145 538	(12 488)	8.58%
Up to 90 days aged	371 931	(34 909)	9.39%
	1 751 473	**(85 799)**	**4.90%**
Discontinued operations			
Current	116 065	(11 404)	9.83%
Up to 30 days aged	24 283	(1 208)	4.97%
Up to 60 days aged	13 897	(1 275)	9.17%
Up to 90 days aged	54 837	(17 361)	31.66%
	209 082	**(31 248)**	**14.95%**

Restated[(1)] 2019 R'000	Gross Carrying Amount	Impairment	Average ECL/ Impairment ratio
Continuing operations			
Current	978 541	(9 870)	1.01%
Up to 30 days aged	212 235	(4 916)	2.32%
Up to 60 days aged	99 277	(4 183)	4.21%
Up to 90 days aged	184 348	(43 397)	23.54%
	1 474 401	**(62 366)**	**4.23%**
Discontinued operations			
Current	50 712	(683)	1.35%
Up to 30 days aged	38 631	(1 207)	3.12%
Up to 60 days aged	27 295	(2 199)	8.06%
Up to 90 days aged	25 494	(4 582)	17.97%
	142 132	**(8 671)**	**6.10%**

[(1)] The comparatives have been restated due to a change in discontinued operations.

33. Financial instruments (continued)

33.4 Credit risk (continued)

Simplified parameter-based approach

ECL is calculated using a formula incorporating the following parameters: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) i.e. (PD x LGD x EAD = ECL). The PD and LGD was measured using Moody's Analytics RiskCals's respective PD and LGD modules (RiskCalc South Africa Version 3.2 for PD and LossCalc version 4.0). Exposures are segmented by customer size relative to the amount of the total debtors' book. Management applied judgement and assumption segmenting the customers. Individual customers making up at least 10% of the debtors book were excluded and the simplified parameter-based approach was applied.

The customers include all government and public listed customers to the extent that the relevant information is available.

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

2020 R'000	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Continuing operations			
Government customers	197 243	(2 660)	194 583
Public listed customers	194 442	(14 491)	179 951
	391 685	**(17 151)**	**374 534**

Restated[1] 2019 R'000	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Continuing operations			
Government customers	160 376	(286)	160 090
Public listed customers	54 254	(13 923)	40 331
	214 630	**(14 209)**	**200 421**
Discontinued operations			
Public listed customers	47 022	(515)	46 507
	47 022	**(515)**	**46 507**

[1] The comparatives have been restated due to a change in discontinued operations.

33. Financial instruments (continued)

33.4 Credit risk (continued)

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

	2020 R'000	Restated[1] 2019 R'000
Opening balance - calculated under IAS 39	-	41 192
Amounts restated to opening retained earnings	-	27 752
Opening loss allowance as at 1 July - calculated under IFRS 9	**76 574**	**68 944**
Income statement charge	40 289	17 373
Increase in loss allowance	40 289	17 373
Receivables written off during the year as uncollectible	(5 164)	-
Transferred to discontinued operation	(26 878)	(9 040)
Exchange rate differences	18 128	(703)
As at 30 June	**102 949**	**76 574**

[1] The comparatives have been restated due to a change in discontinued operations.

Net impairment loss recognised in the statement of profit or loss amounted to R40.2 million (2019: 25.7 million), which includes R40.2 million (2019: R17.4 million) movement in allowance for trade receivables and R nil (2019: 8.3 million) bad debt written off directly to profit or loss.

Other receivables

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

Other financial assets

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

Internally, it was assessed that the credit risk with regards to the amount receivable on the loans to key management, directors, previous key management and directors and previous owners of Chempure t/a Solal has increased significantly. The group is doubtful that the amount will be received in full. Therefore, a specific lifetime ECL has been applied and a provision of R30.2 million (2019: R5 million) recognised. The receivable is not credit impaired.

33. Financial instruments (continued)

33.4 Credit risk (continued)

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

Cash and cash equivalents

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

Cash credit risk is the risk of the institutions with which cash resources are held are unable to meet their obligations and unable to return the cash assets held with them.

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

Credit rating of financial institutions	2020 R'000	Restated 2019 R'000
Baa3	226 587	146 998
Ba2	4 922	132 098
Baa1	47 609	60 620
A2	39 148	53 087
Baa2	2 585	-
Aa2	352	2 177
Ba1	29 859	2 135
B1	(7 079)	-
	343 983	**397 115**

33.5 Market risk

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

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

It has been reiterated that the Covid-19 pandemic had a pervasive effect on the global economic environment and inherently market risk perception. In a South African context, prime and REPO lending rates have experienced consecutive quarterly downward adjustments in the current year and seen as majorly owing to the impact of the pandemic and the response to stimulate significantly impeded growth. Please refer to the Directors Report for management's considerations, observations and response in respect of the pandemic.

33. Financial instruments (continued)

33.5 Market risk (continued)

Interest rate risk

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

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

The group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. The swaps were used in the prior year and have all vested in September 2019. No renewal of these swaps were actioned for the new debt refinancing that was done in the current year. In 2019, 23% of the borrowings were hedged by the interest rate swaps.

Currently, the group aims to maintain its mix of fixed and floating rate debt within the internally determined parameters, however, this depends on the market conditions in the geographies where the group operates. Due to interest rates moving down the group has also decided not to enter into any interest rate hedges at the moment. Refer to note 3 for disclosure on borrowings and other financial liabilities.

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

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

R'000	2020 Fixed rate instruments	2020 Variable rate instruments	2019 Fixed rate instruments	2019 Variable rate instruments
Non-current financial assets				
Other financial assets	45 558	-	57 335	-
	45 558	**-**	**57 335**	**-**
Current financial assets				
Other financial assets	5 557	-	6 439	-
Cash and cash equivalents	316 052	77 079	415 421	48 689
	321 609	**77 079**	**421 860**	**48 689**
Non-current financial liabilities				
Borrowings and other financial liabilities	-	6 285 087	208 226	-
Deferred vendor liability	1 103 108	-	154 475	-
	1 103 108	**6 285 087**	**362 701**	**-**
Current financial liabilities				
Borrowings and other financial liabilities		540 123	4 232 713	1 312 069
Deferred vendor liability	34 499	-	896 798	-
Put option on equity instrument	-	-	93 622	-
Bank overdraft	49 148	-	66 995	-
	83 647	**540 123**	**5 290 128**	**1 312 069**

33. Financial instruments (continued)

Interest rate swaps
There are no swaps in the current year. In 2019 swaps covered approximately 96% of the variable loan principal outstanding. The fixed interest rate of the swaps ranged between 7.2% and 7.6% and the variable rates of loans between 10.8% and 11.4%.

Details of interest rate swaps are as follows:

	2020 R'000	2019 R'000
Carrying amount	-	1 267
Notional amount	-	1 263 309
Maturity date	n/a	2019/09/30

Sensitivity analysis

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

The analysis has been performed for illustrative purposes only, as in practice market rates rarely change in isolation. The analysis has been performed based on of the change occurring at the start of the reporting period and assumes that all the other variables remain constant. The analysis is carried out in relation to JIBAR-based instruments only as EURIBOR instruments default to a 0% rate in the event of EURIBOR being less than 0% as it has been for the current and several comparative periods.

	Increase/decrease in profit before tax		
2020 R'000	**Change in interest rate**	**Upward change in interest rate**	**Downward change in interest rate**
JIBAR	1%	18 736	(18 736)

33. Financial instruments (continued)

33.5 Market risk (continued)

Foreign exchange risk

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

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

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

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

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

	2020		2019	
Currency	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
Australian Dollar	11.91	11.79	9.85	10.11
Euros	19.45	19.25	15.97	16.43
Romanian leu	4.01	3.97	3.38	3.47
Swiss Franc	18.03	19.03	14.44	14.44
Swedish Krona	1.86	1.86	1.52	1.52
UK pound sterling	21.35	21.40	17.83	18.45
US dollar	17.32	17.11	14.05	14.55
Yen	0.16	0.16	0.13	0.13

33. Financial instruments (continued)

33.5 Market risk (continued)

The change in exchange rate applied in the below mentioned sensitivity analysis is based on the actual movement in exchange rates during the 2020 financial year.

Foreign denominated balances held by the group at year end:	R'000	Change in exchange rate	Impact on financial results R'000
Current assets			
UK Pound	769	-19.79%	(152)
Euros	2 069	-21.84%	(452)
US Dollars	9 844	-23.33%	(2 297)
Current liabilities			
Euros	(48 034)	-21.84%	10 488
US Dollars	(190 378)	-23.33%	44 421
Swiss Franc	(21)	-24.87%	5
Swedish Krona	(4 165)	-22.89%	953
YEN	(445)	-23.16%	103
Net impact from foreign denominated balances	**(230 361)**		**53 069**
Foreign operations (majority denominated in Euros):			
Current assets	2 979 161	-21.84%	(650 503)
Current liabilities	(2 785 298)	-21.84%	608 173
Foreign operations (denominated in Romanian Leu):			
Current assets	503 173	-18.87%	(94 959)
Current liabilities	(396 255)	-18.87%	74 781
Net impact from foreign denominated balances:	**300 781**		**(62 508)**
Net impact of foreign exposure on profit/loss:	**70 420**		**(9 439)**
Forward exchange contracts			
US dollar	306	-23.33%	(71)
Net impact including economic hedges on profit/loss	**306**		**(71)**

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

33. Financial instruments (continued)

33.6 Derivative financial instruments

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

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

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

Derivative financial instrument liabilities	Current R'000	Non-current R'000
2020		
Foreign exchange contracts	655	-
	655	**-**
2019		
Foreign exchange contracts	1 476	-
Interest rate swaps	1 267	-
	2 743	**-**

Derivative financial instrument assets	Current R'000	Non-current R'000
2020		
Foreign exchange contracts	961	-
	961	**-**
2019		
Foreign exchange contracts	135	-
	135	**-**

33.7 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Refer to the going concern assessment for the group for more information with regards to capital management.

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

33. Financial instruments (continued)

33.7 Capital risk management (continued)

In addition, the group has long-term and short-term borrowings in place to meet the anticipated funding requirements. Borrowings are monitored based on the gearing ratio, which is consistent with others in the industry. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and other financial liabilities' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The group has set an internal target gearing ratio of 50%. The target is currently exceeded hence the divestment programme as detailed in the going concern note is being implemented to remedy this situation.

The table below serves to illustrate the group's gearing ratio at 2020 and 2019.

	Notes	2020 R'000	Restated[1] 2019 R'000
Derivative financial instruments	33.6	655	2 609
Borrowings and other financial liabilities	3	6 825 210	5 753 008
Deferred vendor liabilities	20	1 137 607	1 051 272
Put-option on equity instrument	21	-	93 622
Total borrowings		**7 963 472**	**6 900 511**
Cash and cash equivalents	16	(343 983)	(397 115)
Net debt		**7 619 489**	**6 503 396**
Total equity		1 292 506	2 009 105
Total capital		**8 911 995**	**8 512 501**
Gearing ratio		**85%**	**76%**

[1] The comparatives have been restated as a result of a change in the classification of Remedica from a discontinued operation to continuing operations and the impact of the prior period error (refer to the accounting policy note for more details).

Refer to note 3 regarding the terms and conditions, securities and covenants applicable to borrowings. Refer also to the going concern section of the accounting policy note which details the response taken by the directors to the group's gearing ratio being above the targeted ratio.

34. Fair value estimation

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

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

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

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

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

2020 R'000	**Notes**	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value on a recurring basis					
Financial liabilities at fair value through profit and loss					
Deferred vendor liabilities	20	-	-	336 482	336 482
Foreign exchange contracts		-	655	-	655
Borrowings and other financial liabilities		-	-	6 825 210	6 825 210
Not measured at fair value on a recurring basis					
Liabilities classified as held for sale		-	-	450 375	450 375
Total liabilities		**-**	**655**	**7 612 067**	**7 612 722**
Measured at fair value on a recurring basis					
Financial assets at fair value through profit and loss					
Foreign exchange contract		-	961	-	961
Not measured at fair value on a recurring basis					-
Assets classified as held for sale		-	-	703 929	703 929
Land and buildings	9			605 941	605 941
Total assets		**-**	**961**	**1 309 870**	**1 310 831**

34. Fair value hierarchy (continued)

Restated 2019 R'000	Notes	Level 1	Level 2	Level 3	Total
Measured at fair value on a recurring basis					
Financial liabilities at fair value through profit and loss					
Deferred vendor liabilities	20	-	-	416 307	416 307
Foreign exchange contracts		-	1 476	-	1 476
Interest rate swap		-	1 267	-	1 267
Not measured at fair value on a recurring basis					
Borrowings and other financial liabilities		-	5 753 008	-	5 753 008
Liabilities classified as held for sale		-	-	174 560	174 560
Total liabilities		**-**	**5 755 751**	**590 867**	**6 346 618**
Measured at fair value on a recurring basis					
Financial assets at fair value through profit and loss					
Foreign exchange contract		-	135	-	135
Not measured at fair value on a recurring basis					
Assets classified as held for sale		-	-	699 049	699 049
Total assets		**-**	**135**	**699 049**	**699 184**

Reconciliation of level 3 category instruments

	2020 R'000	Restated[1] 2019 R'000
Deferred vendor liabilities:		
Opening balance	416 307	532 175
Repayments during the year	(172 232)	(78 219)
Interest charged	36 089	20 361
Re-measurement	-	(55 412)
Foreign currency translation difference	56 318	(2 598)
	336 482	**416 307**

[1] The comparatives have been restated due to the change in discontinued operations.

34. Fair value hierarchy (continued)

There were no transfers between level 1, 2 or 3 for the group during the year. The remeasurement made and interest accrued are treated in the cashflow statement as non-cash measurement items.

Valuation methods and assumptions

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

Deferred vendor liabilities

This relates to contingent consideration on business combination transactions. The fair values have been estimated using the discounted cash flow model. The discounted method was used to capture the present value of the expected future economic benefits that will flow out of the group arising from the contingent consideration. The significant unobservable inputs in relation to the contingent consideration incudes EBIT margin and EBITDA margin. A slight increase in these inputs in isolation would result in a significant increase in the fair value, however in respect of these liabilities, all contingent consideration has already been determined per the underlying agreements. Therefore, no sensitivity analysis was performed on the fair value of deferred vendor liabilities as all contingent consideration has been determined.

Derivative financial instruments

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

Borrowings and other financial liabilities

The group has borrowing facilities with various financial institutions. The key valuation inputs in the fair value assessment are the interest rate (unobservable) and non-performance risk (unobservable).

Assets and liabilities classified as held for sale

Assets and liabilities held for sale constitute the disposal groups held for sale and discontinued operations (please refer to Note 30 for details thereof). The key valuation inputs consist unobservable inputs being the obtainable selling prices negotiated and potentially achievable for the various disposal groups. Advisors are appointed to the disposal process in accordance with the milestones illustrated in the refinancing agreement to commence with the process of identifying a buyer a purchase proceeds level attainable.

Land and Buildings

Please refer to note 9 where the fair value considerations of land and buildings are provided.

Put Option Liability

Please refer to note 21 where the fair value considerations of the put option liability is provided.

35. Related parties

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

35. Related parties (continued)

Key management compensation 2020

R'000	Basic salary	Travel allowance	Bonus and incentives	Retirement/ medical benefits	Other benefits and costs ^^	Termination cost ^	Non executive directors fees	Non executive directors other services	Total
Executive directors									
MJ Sardi *	3 273	-	-	330	29	-	-	-	3 632
K Futter **	3 466	-	1 018	96	42	-	-	-	4 622
Total executive	**6 739**	**-**	**1 018**	**426**	**71**	**-**	**-**	**-**	**8 254**
Key management	26 068	785	14 283	1 537	2 740	-	-	-	45 413
Total executive and key management	**32 807**	**785**	**15 301**	**1 963**	**2 811**	**-**	**-**	**-**	**53 667**
Non-executive directors									
AB Marshall *	-	-	-	-	-	-	724	1 458	2 182
Dr NY Jekwa	-	-	-	-	-	-	395	300	695
J Sebulela	-	-	-	-	-	-	340	-	340
B Harie	-	-	-	-	-	-	510	-	510
MS Bomela	-	-	-	-	-	-	430	-	430
Dr KS Pather	-	-	-	-	-	-	475	-	475
SS Ntsaluba *	-	-	-	-	-	-	85	-	85
Total non-executive	**-**	**-**	**-**	**-**	**-**	**-**	**2 959**	**1 758**	**4 717**
Total	**32 807**	**785**	**15 301**	**1 963**	**2 811**	**-**	**2 959**	**1 758**	**58 384**

35. Related parties (continued)

Key management compensation 2019

R'000	Basic salary	Travel allowance	Bonus and incentives	Retirement/ medical benefits	Other benefits and costs ^^	Termination cost ^	Non executive directors fees	Non executive directors other services	Total
Executive directors									
TB Thomsen **	6 600	-	6 688	-	854	3 600	-	-	17 742
K Futter	3 304	-	1 056	88	46	-	-	-	4 494
Total executive	**9 904**	**-**	**7 744**	**88**	**900**	**3 600**	**-**	**-**	**22 236**
Key management	35 810	465	5 796	2 472	393	-	-	-	44 936
Total executive and key management	**45 714**	**465**	**13 540**	**2 560**	**1 293**	**3 600**	**-**	**-**	**67 172**
Non-executive directors									
AB Marshall *	-	-	-	-	-	-	92	417	509
JA Bester ***	-	-	-	-	-	-	908	-	908
GJ Shayne **	-	-	-	-	-	-	187	-	187
Dr NY Jekwa *	-	-	-	-	-	-	463	574	1 037
J Sebulela*	-	-	-	-	-	-	390	-	390
PM Roux **	-	-	-	-	-	-	21	-	21
B Harie	-	-	-	-	-	-	668	-	668
MS Bomela *	-	-	-	-	-	-	475	-	475
Dr KS Pather *	-	-	-	-	-	-	665	-	665
Total non-executive	**-**	**-**	**-**	**-**	**-**	**-**	**3 869**	**991**	**4 860**
Total	**45 714**	**465**	**13 540**	**2 560**	**1 293**	**3 600**	**3 869**	**991**	**72 032**

^ TB Thomsen's termination costs were based on the notice terms in his employment contract.
^^ SDL & UIF legislative costs
The Ascendis Health Ltd directors and subsidiaries' directors are considered to be prescribed officers.

35. Related parties (continued)

Summary of directors' appointments, resignations and retirements

*	Appointed
SS Ntsaluba	07 April 2020
MJ Sardi	14 October 2019
AB Marshall	03 May 2019
J Sebulela	02 October 2018

**	Appointed	Resigned
K Futter	12 November 2015	30 September 2020
TB Thomsen	01 March 2018	23 May 2019
GJ Shayne	05 March 2008	31 March 2019
PM Roux	03 May 2019	07 June 2019

***	Appointed	Retired
JA Bester	21 October 2013	03 May 2019

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

	Number of shares		
	Direct	Indirect	Total
K Futter	296 286	-	296 286
MJ Sardi	25 597	-	25 597
B Harie	3 548	203 318	206 866
Dr KS Pather	180 933	20 000	200 933
Dr NY Jekwa	9 222	-	9 222
30 June 2020	**515 586**	**223 318**	**738 904**

	Number of shares		
	Direct	Indirect	Total
K Futter	296 286	-	296 286
B Harie	3 548	128 318	131 866
Dr KS Pather	24 650	20 000	44 650
Dr NY Jekwa	2 222	-	2 222
30 June 2019	**326 706**	**148 318**	**475 024**

The independent non-executive directors interests in the issued share capital of the company represent less than 0.2% (2019: 0.1%) of the total issued share capital of the company at 30 June 2020. The collective interests held by the directors do not constitute a material shareholding in the company. Accordingly, their continued participation as directors is deemed not to be impaired.

35. Related parties (continued)

Loans to directors of subsidiaries:	2020 R'000	2019 R'000
As at 1 July	3 882	3 618
Interest charged	287	264
As at 30 June	**4 169**	**3 882**

Loans to key management:	2020 R'000	2019 R'000
As at 1 July	4 579	4 212
Loan reclassified to external party during the year	(3 965)	-
Interest charged	413	367
As at 30 June	**1 027**	**4 579**

Please refer to the disclosure in Other financial assets (Note 12) for more information on the counter parties and terms of the loans making up the balance disclosed above.

Loans to Ascendis shareholder:	2020 R'000	2019 R'000
As at 1 July	-	38
Loans advanced during the year	-	10 000
Other charges	-	830
Impairment of receivable	-	(10 868)
As at 30 June	**-**	**-**

Coast2Coast Capital (Pty) Ltd is a related party of Gane Holdings, where the main shareholders are the founding partners of Ascendis, GJ Shayne and CD Dillon. This loan to Coast2Coast Capital (Pty) Ltd was assessed as not recoverable and therefore it was fully impaired in the 2019 financial year.

35. Related parties (continued)

Transactions with related parties	2020 R'000	2019 R'000
Coast to Coast		
Interest received from Coast2Coast	-	830
Advisory fees and Accrued income to Coast2Coast	-	(2 477)
Rent paid to Coast2Coast	-	(18 869)
Farmalider (related party to Farmalider CEO)		
Sales force from Benel-Plus S.L.	481	460
Outsourced ITC to Dberenguer Servicios Integrales S.L.	842	882
Sale of dossiers to MMC International Health Holding S.L.U.	2 847	1 894

Balances with related parties - subsidiaries	2020 R'000	2019 R'000
Farmalider (related party to Farmalider CEO)		
Outsourced ITC to Dberenguer Servicios Integrales S.L.	91	88

36. Changes in accounting policies

The group has adopted IFRS 16 *Leases* (IFRS 16) and IFRIC 23 *Uncertainty over Income Tax Treatments* (IFRIC 23) as issued by the International Accounting Standard Board (IASB), which were effective for the group from 1 July 2019.

IFRS 16

IFRS 16 introduced a single, on balance sheet accounting model for lessees. As a result, the group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. After the adoption of IFRS 16, the group recognised a depreciation expense on the right-of-use assets and an interest expense accruing on the lease liabilities and no longer recognised an operating lease expense for these leases. Cash generated from operations increased as lease costs are no longer in this category. Interest paid increased, as it includes the interest portion of the lease liability payments and capital portion of lease liability repayments is included in financing activities. Lessor accounting remains similar to previous accounting policies.

The group adopted IFRS 16 retrospectively from 1 July 2018, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of IFRS 16 are therefore recognised in the opening statement of financial position on 1 July 2019.

36. Changes in accounting policies (continued)

The group's leasing activities and significant accounting policies:

The group's leases include office buildings, factory buildings, vehicles and office equipment. Rental contracts are typically made for fixed periods varying between two to ten years but may have renewal periods as described below.

As a lessee, the group previously classified leases as operating or financing leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Payments made under operating leases (net of any incentives from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, the group recognised right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the group has elected not to recognise right-of-use assets and leases for some leases of low value assets and for short term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The group defines low-value leases as leases of assets for which the value of the underlying asset when it is new is R50 000 or less and is dependent on the nature of the asset. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The recognised right-of-use asset relate to the following types of assets:

	1 July 2019[(1)] R'000
Land	4 091
Buildings	218 408
Plant and machinery	59 655
Motor vehicles	27 337
Office equipment	2 085
Total right-of-use assets	**311 576**

[(1)] The balance as at 1 July 2019 consists of R273.3 million right-of-use asset recognised from previously recognised operating leases and R38.2 million right-of-use asset recognised from previously recognised finance leases.

The lease liability is initially measured at the present value of the following lease payments, where applicable:

- Fixed payments (including in-substance fixed payments), less any incentives receivable.
- Variable lease payments that are based on an index or rate, measuring using the index or rate as at the lease commencement date.
- Amounts that are expected to be payables by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the group's incremental borrowing rate is used being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The group used its incremental borrowing rate as the discount rate.

36. Changes in accounting policies (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability each period. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonable certain not to be exercised.

The right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Decommissioning costs.

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

Renewal and termination options

A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or period after the termination options) are only included in the lease if it is reasonably certain that the lease will be extended (or not terminated). The group applies judgement in assessing whether it is reasonably certain (likely) that the options will be exercised. Factors considered include how far in the future an option occurs, the group's business planning cycle and past history of terminating/not renewing leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

A number of leases entitle both the group and the lessor to terminate the lease without a termination penalty. In determining whether the group has an economic incentive to not exercise the termination option, the group considers the broader economics of the contracts and not only contractual termination payments.

Lease and non-lease components

In the event that the lease contract includes both lease and non-lease components, the group allocated the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone selling prices. The stand-alone selling prices of each component are based on available market prices. Non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

36. Changes in accounting policies (continued)

Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the group's incremental borrowing rate, for the remaining lease terms, as at 1 July 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The group used the following practical expedients as permitted by the standard, when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounted for leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.
- Accounted for low value leases as leases of assets for which the value of the underlying asset when it is new is R50 000 or less and is not considered fundamental to the group's operations.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Reliance on a previous assessment of onerous leases prior to the application of the IFRS 16 standard.
- Not to reassess whether a contract is, or contains a lease at the date of initial application. All contracts entered into before the transition date, the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement Contains a Lease* (IFRIC 4).

The group classified a number of leases of property, plant and machinery as finance leases under IAS 17. For finance leases, the carrying amount of the right-of-use asset and lease liability as at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before the date of initial application.

Impact on financial statements

Impacts on transition

On transition to IFRS 16, the group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

	1 July 2019 R'000
Property, plant and equipment	(38 210)
Right-of-use asset	311 576
Total assets	**273 366**
Lease liabilities	293 206
Trade and other payables	(19 839)
Deferred tax liability	(899)
Total liabilities	**272 468**
Accumulated Loss	899
Total Equity	**899**

36. Changes in accounting policies (continued)

The right-of-use asset recognised on 1 July 2019 relate to the following operating segments:

	1 July 2019 R'000
Consumer Health	117 765
Africa	28 407
Scitec	65 028
Sunwave	24 330
Pharma	51 104
Farmalider	47 013
Remedica	4 091
Medical	46 562
Animal Health	16 904
Biosciences	36 141
Head office	43 100
Right-of-use assets	**311 576**

When measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using its incremental borrowing rate at 1 July 2019. A reconciliation of the operating lease commitments disclosed as at 30 June 2019 discounted using the incremental borrowing rate at 1 July 2019 to the lease liability recognised on 1 July 2019 is disclosed below:

	1 July 2019 R'000
Operating lease commitments disclosed as at 30 June 2019	122 316
Operating lease commitments in respect of discontinued operations as at 30 June 2019	18 924
Lease commitments disclosed in the prior year, discounted using incremental borrowing rate at 1 July 2019	36 195
Leases recognised,not previously included in commitments (discounted using the incremental borrowing rate at 1 July 2019,including extension options reasonably certain to be exercised)	87 105
Short term leases	(2 716)
Low value asset leases	(60)
Finance lease liability recognised as at 30 June 2019	31 442
Lease liabilities recognised as at 1 July 2019	**293 206**
Of which are	
Current lease liabilities	50 057
Non-current lease liabilities	243 149
	293 206

36. Changes in accounting policies (continued)

Impact on Profit or Loss

During the current financial year, depreciation on the ROU assets of R74.8 million and interest costs of R33.4 million on the lease liabilities have been expensed in profit or loss. The operating lease expense that would have been recognised as part of operating profit in the income statement under IAS 17 *Leases* would have been R66.7 million.

IFRIC 23 and related IFRIC agenda decision

IFRIC 23 and the IFRIC agenda decision in relation to the presentation of liabilities or assets related to uncertain tax treatments in September 2019 respectively clarifies the application of the recognition and measurement requirements in IAS 12 *Income Taxes* and the presentation requirements in IAS 1 *Presentation of Financial Statements* when there is uncertainty over income tax treatments. This did not have an impact on the group because all uncertain tax treatments are recognised as current tax liabilities.

37. Commitments

Commitments

The commitment with The Scientific Group's Qiagen supplier is regarding a non-refundable market development support and exclusivity fee. This commitment relates to a five year agreement starting September 2018. After negotiations with Qiagen an addendum was signed whereby the market development support and exclusivity fee was paid until December 2019 and stopped thereafter.

Expenditure authorised not yet incurred at the reporting date:	2020 R'000	2019 R'000
Non-refundable market development support and exclusivity fee	-	50 561

Minimum payments due	2020 R'000	2019 R'000
- Within one year	-	12 640
- In second to fifth year inclusive	-	37 921
Total	**-**	**50 561**

37. Commitments (continued)

Operating lease commitments – group company as lessee

Accounting policy for leases in terms of IAS 17 *Leases* until 30 June 2019:

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

The group as a lessor

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

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

The group as a lessee

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

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

Accounting policy for leases in terms of IFRS 16 *Leases* from 1 July 2019:

The group has adopted IFRS16 *Leases* from 1 July 2019. Please refer to note 36 for more details. The group recognised right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the group has elected not to recognise right-of-use assets and leases on some leases that are of low value assets and for short term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The group defines low-value leases as leases of assets for which the value of the underlying asset when it is new is R50 000 or less and is dependent on the nature of the asset. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

37. Commitments

The future aggregate minimum lease payments under non-cancellable operating leases until 30 June 2019 and for low-value and short term leases from 1 July 2019 are as follows:

Minimum lease payments due	2020 R'000	2019 R'000
- Within one year	341	31 585
- In second to fifth year inclusive	-	90 731
Total	**341**	**122 316**

38. Contingent liabilities

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

The previous owners of Klub M5 are claiming that they are still owed an amount of R34.3 million. Klub M5 has a counter claim against the previous owners for overpayment/indebtedness of R31.5 million. There is currently on-going arbitration regarding this matter. Although the probability of the outcome cannot be reliably 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 conversely that the counter claim may be successful and Klub M5 will receive the above mentioned counter claim amount.

Farmalider management with the support of its legal and tax advisors, have identified a tax related contingent liability which could arise if a more restrictive approach were to be applied (on the deductibility of expenses in the calculation of Spanish Income Tax amounting to approximately R7.4 million (€0.5 million) (including penalties and interests)). It was concluded more probable than not that the respective tax authorities to agree with the tax treatment under consideration and therefore no provision or liability raised in this regard.

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

39. Events after reporting period

Disposal of Scitec

The group announced on 16 April 2020 the disposal of its Scitec business in its Consumer Health segment for a total consideration of €5 million (R97.3 million at ZAR/EUR exchange rate of R19.45 at 30 June 2020) ("the Scitec transaction"). The Scitec disposal group was classified as held for sale and a discontinued operation from April 2020. All conditions precedent to the Scitec disposal transaction have been fulfilled and accordingly the Scitec transaction became unconditional. The effective date of the Scitec transaction was 31 July 2020.

Disposal of Ascendis Direct

The disposal of the Ascendis Direct business was successfully concluded for a consideration of R10.5 million. Ascendis Direct was classified as held for sale and a discontinued operation for a couple of years. The effective date of the disposal is 31 August 2020.

Reckitt Benckiser South Africa (Pty) Ltd (Reckitt) claim

During 2016 the Ascendis group acquired 100% of Akacia Healthcare Holdings, registration no: 1994/009657/07, which owned 100% of Akacia Healthcare (Pty) Ltd (Akacia Healthcare). Akacia Healthcare then changed its name to Ascendis Pharma (Pty) Ltd (Ascendis Pharma) on 23 August 2016. Ascendis Pharma at that time had an existing co-packaging agreement with Reckitt, whereby Ascendis Pharma was contracted to perform agreed upon services on behalf of Reckitt. Subsequently in October 2016, Reckitt cancelled the contract with Ascendis Pharma and proceeded to issue a claim for alleged damages totalling R54 million against Ascendis Pharma in early 2019.

Ascendis Pharma has conceded on certain merits of the case, and Reckitt in turn, conceded on the levels of undelivered stock that will have a diminishing impact on the quantum of an element to its original claim. The final conclusion and quantum are not resolved at the date of this report. The matter is currently in arbitration between Ascendis Pharma and Reckitt. Management is providing their full cooperation in the arbitration process and continues to deal in good faith and seeks to resolve this matter.

Classification of Remedica as held for sale and discontinued operation

During the 2019 financial year, the group received an unsolicited offer in respect of the Remedica business. The group decided to dispose the business and was involved in negotiations with potential buyers. The business was classified as a discontinued operation and held for sale as at 30 June 2019. However, due to circumstances beyond the group's control, the negotiations were terminated during the final stages in December 2019. As a result, the business ceased to be classified as a discontinued operation and held for sale in the period under review. The June 2019 amounts have been restated in accordance with the requirements of IFRS 5. Refer to note 30 for more details.

39. Events after reporting period (continued)

Subsequent to 30 June 2020, the circumstances whereby the Remedica group (Remedica segment) is now in a state to be disposed of in its current condition after a detailed due diligence of the pharmaceutical dossiers and financial history and future forecasts have been completed. The disposal process of the Remedica business was launched through an open auction process. This is also in line with the required milestones of the group's refinanced debt facilities. The Remedica business will therefore be classified as held for sale and a discontinued operation from September 2020. The disposal is expected to be completed in the next 12 months. As at 30 June 2020 Remedica's current year and comparative results have however been presented as part of continued operations.

Sun Wave Pharma deferred vendor liability payment

In respect of the liability for contingent consideration owing to the previous owners of Sun Wave Pharma, a payment of €2 million was made subsequent to the reporting date pertaining to the achievement of the EBITDA target for the year to August 2020. Please refer to note 20 for more details regarding the particulars of the deferred vendor liability.

Classification of Animal Health as held for sale and discontinued operation

Subsequent to 30 June 2020, the Animal Health segment has reached a state that is capable of being disposed in its current condition. This entailed management presentations taking place in September 2020, highlighting take over planning relative to a transition in ownership. Furthermore, the Animal Health segment has been subject to being actively marketed, initiating its disposal process with teasers being distributed to market participants. These processes indicate fulfillment of the conditions for a classification as a disposal group held for sale. This activity is also in line with the required milestones of the group's refinanced debt facilities.

The Animal health business will therefore be classified as held for sale and a discontinued operation from September 2020. The disposal is expected to be completed in the next 12 months. As at 30 June 2020 Animal Health's current year and comparative results have however been presented as part of continued operations.

Sale of Dezzo Trading 392 (Pty) Ltd

Dezzo Trading 392 (Pty) Ltd has been classified as held for sale during the financial year ending 30 June 2020. During September 2020, a sales agreement was formally entered into for the disposal. The closing procedures in respect of the sale commenced before the approval of these group annual financial statements and the sale is expected to be concluded by no later than February 2021.

Appointment of group chief financial officer

On 13 October 2020, it was announced that the board of directors had appointed Cheryl-Jane Kujenga as chief financial officer and executive director of the Ascendis Health group with effect from 1 December 2020.

After qualifying as a chartered accountant, Cheryl-Jane held various positions within group finance and audit within a number of private and listed companies in South Africa.

Resignation of a board member

MS Bomela, an independent non-executive director and member of the board of directors provided notice of her resignation of such positions after the current reporting date and effective 31 October 2020.

Expected delay in conclusion of sale of the Biosciences business

Due to a change in circumstances subsequent to the reporting date, a delay to the initially anticipated finalisation date for a sales agreement for the disposal group held for sale (refer to note 30 for more details) is expected. However management remains committed and aligned to its original planned date of conclusion of the disposal and therefore it is still expected for disposal to take place within 12 months after the current year reporting date.

Appendix A: Interests in subsidiaries

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

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

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

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

The following companies have been disposed during the year:

- Afrikelp (Pty) Ltd
- Afrikelp Holding(Pty) Ltd
- Afrikelp Investments(Pty) Ltd
- Agro-Serve (Pty) Ltd
- Agro-Serve Namibia (Pty) Ltd
- Akusa Inc. (USA)
- Efekto Zambia Limited
- Taurus Chemicals Cape Kelp (Pty) Ltd

The following companies have been deregistered during the year:

- Ascendis Health Pharma S.R.L. (Romania)
- Scitec USA Inc (USA)
- Lavient Trading (Pty) Ltd
- Solal Africa Technologies Distributors (Pty) Ltd
- Solal Technologies Fine Pharmaceuticals (Pty) Ltd
- Southern African Academy of Healthy Aging and Integrative Medicine (Pty) Ltd
- Integrative Health Publications (Pty) Ltd

The following company’s investment value has increased:

- Efekto Care (Pty) Ltd *(There was an increase due to the transfer of the cost of investment from the holding company to the relevant subsidiary)*
- Ortho-Xact (Pty) Ltd *(There was an increase due to the transfer of the cost of investment from the holding company to the relevant subsidiary. The investment was subsequently impaired in the current year.)*

Appendix A: Interests in subsidiaries

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

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
			R'000	R'000	R'000	R'000
	2020	2019	2020	2019	2020	2019
ANIMAL HEALTH						
Ascendis Animal Health (Pty) Ltd°	100%	100%	-	160 056	-	-
Ascendis Vet (Pty) Ltd #	100%	100%	143 727	143 727	-	-
Kyron Animal Health (Pty) Ltd	100%	100%	500	500	-	-
Kyron Laboratories (Pty) Ltd*	100%	100%	176 361	380 807	176 361	380 807
Kyron Prescriptions (Pty) Ltd°	100%	100%	-	-	-	-

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
			R'000	R'000	R'000	R'000
	2020	2019	2020	2019	2020	2019
CONSUMER HEALTH						
Anti-Aging Technologies (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Consumer Brands (Pty) Ltd	100%	100%	4	4	4	4
Ascendis Health Australia (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Health Direct (Pty) Ltd&	100%	100%	-	-	-	-
Ascendis Health Direct Nigeria Limited	100%	100%	-	-	-	-
Ascendis Health UK Ltd	100%	100%	-	-	-	-
Ascendis Health Pharma S.R.L. (Romania)~	0%	100%	-	-	-	-
Ascendis Skin & Body (Pty) Ltd*	100%	100%	-	-	-	-
Ascendis Supply Chain (Pty) Ltd#	100%	100%	-	-	-	-
Ascendis Wellness S.R.L.	100%	100%	40 390	40 390	-	-
Bio Swiss (Pty) Ltd	100%	100%	-	-	-	-
Bolus Distribution (Pty) Ltd#	100%	100%	-	-	-	-
Bolus International (Pty) Ltd#	100%	100%	-	-	-	-
Chempure (Pty) Ltd*	100%	100%	-	57 492	-	57 492
Colossal Trade Kft (Hungary)†	100%	0%	145	-	-	-
Cytogen Sp Zoo (Poland)†	100%	100%	17 197	17 197	-	-
Dealcor Forty (Pty) Ltd#	100%	100%	-	-	-	-
Heritage Resources Ltd	100%	100%	-	-	-	-
HRL Health Remedies Ltd (Cyprus)	100%	100%	146	146	-	-
Integrative Health Publications (Pty) Ltd~	0%	100%	-	-	-	-
Juniva (Pty) Ltd	100%	100%	-	-	-	-
Kadent Ltd (Cyprus)	100%	100%	29	29	-	-
K2012021382 (South Africa) (Pty) Ltd&	100%	100%	-	-	-	-
K2012179211 (South Africa) (Pty) Ltd*	100%	100%	-	4 565	-	4 565
K2013197766 (Pty) Ltd	100%	100%	3	3	3	3
K2013126193 (South Africa) (Pty) Ltd	100%	100%	-	-	-	-
Lavient Trading (Pty) Ltd~	0%	100%	-	-	-	-
Nimue Skin (Southern Africa) (Pty) Ltd*	100%	100%	-	36 510	-	36 510
Remedica IP Ltd	100%	100%	389 178	389 178	-	-
Scitec International S.a.r.l (LUX)#†	100%	100%	-	-	-	-
Scitec Ipari és Kereskeedelmi Kft (Hungary)†	100%	100%	1 332 754	1 332 754	-	-
Scitec Nutrition UK†	100%	100%	201	201	-	-
Scitec Institute for Sport and Nutritional Science Ltd (Hungary)†	100%	100%	718	718	-	-
Scitec USA Inc (USA)~†	0%	100%	-	-	-	-
Solal Africa Technologies Distributors (Pty) Ltd~	0%	100%	-	-	-	-
Solal Technologies Fine Pharmaceuticals (Pty) Ltd~	0%	100%	-	-	-	-
Southern African Academy of Healthy Aging and Integrative Medicine (Pty) Ltd~	0%	100%	-	-	-	-
Sportron Properties (Pty) Ltd*	100%	100%	-	6 249	-	6 249
Sportron International (Pty) Ltd (Namibia)	100%	100%	-	-	-	-
STC Nutrition Supplements†	100%	100%	35	35	-	-
Superwell-Hungary Kft*†	100%	100%	136	10 177	-	-
Swissgarde (Pty) Ltd	100%	100%	25 652	25 652	-	-

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
			R'000	R'000	R'000	R'000
	2020	2019	2020	2019	2020	2019
CONSUMER HEALTH (continued)						
The Compounding Pharmacy of South Africa (Pty) Ltd	100%	100%	-	-	-	-
The Integrative Medical Centre (Pty) Ltd°	100%	100%	-	-	-	-
Toolworth Distribution (Pty) Ltd	100%	100%	-	-	-	-
MEDICAL						
A-Med Medical Supplies (Pty) Ltd°	49%	49%	-	-	-	-
Ascendis Medical Supplies (Pty) Ltd (Namibia)	100%	100%	-	-	-	-
Ascendis Medical (Pty) Ltd (Zambia)	100%	100%	-	-	-	-
Anti-Aging Technologies (Pty) Ltd	100%	100%	-	-	-	-
Lexshell 155 General Trading (Pty) Ltd	0%	0%	-	-	-	-
Lexshell 834 Investments (Pty) Ltd	100%	100%	24 000	24 000	-	-
Ortho-Xact (Pty) Ltd	100%	100%	69 935	-	-	-
Respiratory Care Africa (Pty) Ltd	100%	100%	153 095	153 095	-	-
Respiratory Care Africa (Botswana) (Pty) Ltd	60%	60%	-	-	-	-
Surgical Innovations (Pty) Ltd#	100%	100%	-	-	-	-
The Scientific Group (Pty) Ltd	100%	100%	304 962	304 962	-	-
Umecom (Pty) Ltd#	100%	100%	-	-	-	-
HEAD OFFICE						
Ascendis Financial Services (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Financial Services International S.a.r.l (Luxembourg)	100%	0%	-	-	-	-
Ascendis Financial Services Europe Limited (Cyprus)	100%	0%	-	-	-	-
Ascendis Health International Holdings Ltd	100%	100%	16	16	16	16
Ascendis Health SA Holdings (Pty) Ltd	100%	0%	-	-	-	-
Ascendis Management Services (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Pharma-Med (Pty) Ltd	100%	100%	-	-	-	-
Elixr Brands (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Health Spain Holdings SL	100%	100%	44	44	-	-
PHARMA						
Akacia Healthcare Holdings (Pty) Ltd	100%	100%	356 655	356 655	-	-
Akacia Healthcare Investments (Pty) Ltd°	100%	100%	-	-	-	-
Alliance Pharma (Pty) Ltd°	100%	100%	-	-	-	-
Ascendis Pharma (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Pharma Holdings (Pty) Ltd	100%	100%	-	-	-	-
Biopharmaceutical Consulting (Pty) Ltd (South Africa)	75%	75%	-	-	-	-
Brilata Ltd	100%	100%	13	13	-	-
Dealworth Ltd	100%	100%	32	32	-	-
Dentalcare Pharma Sl. (Spain)	100%	100%	-	-	-	-
Dermogen Farma, S.A.(Spain)	100%	100%	-	-	-	-
Dezzo Trading 392 (Pty) Ltd#	100%	100%	-	-	-	-
Enia Lipotech Sl. (Spain)	74%	74%	-	-	-	-
Enol Pharmaceutical Research Sl.(Spain)	100%	100%	-	-	-	-
Farmalider Truquia (Madrid)	100%	100%	-	-	-	-

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
			R'000	R'000	R'000	R'000
	2020	2019	2020	2019	2020	2019
PHARMA (continued)						
Farmalider, S.A. (Spain)	49%	49%	214 275	214 275	-	-
Hreen High Tech	44%	44%	-	-	-	-
Goldbond Trading and Investments Ltd	100%	100%	276	276	-	-
High Tech Vision Sl. (Spain)	90%	90%	-	95	-	-
Onnovazone Labs LLC (Spain)	60%	60%	40	40	-	-
Medicine Developers International (Pty) Ltd°	100%	100%	-	-	-	-
Nutribution Espana SLU (Spain)†	100%	100%	-	-	-	-
Nutra Essential otc Sl (Spain)	79%	79%	2 841	2 841	-	-
Pembrook Ltd	100%	100%	3 999 945	3 999 945	-	-
Pharma Integral Analytical Services, S.L (Spain)	33%	33%	-	-	-	-
Remedica Holdings Ltd	100%	100%	4 503 376	4 503 376	-	-
Remedica Ltd	100%	100%	411 737	411 737	-	-
Toll Manufacturing Services S.l (Spain)	100%	100%	42	42	-	-
Vitalcare Pharma (Spain)*	100%	100%	1 578	1 636	-	-
BIOSCIENCES						
Afrikelp (Pty) Ltd^	0%	100%	-	210 055	-	-
Afrikelp Holdings (Pty) Ltd^	0%	100%	-	-	-	-
Afrikelp Investments (Pty) Ltd^	0%	100%	-	7 562	-	-
Agro-Serve (Pty) Ltd^	0%	100%	-	5 348	-	-
Agro-Serve Namibia (Pty) Ltd^	0%	100%	-	4	-	-
Akusa Inc. (USA)^	0%	100%	-	551	-	-
Ascendis Biosciences (Pty) Ltd*	100%	100%	-	70 159	-	70 159
Ascendis Biosciences (East Africa) Ltd (Kenya)	100%	100%	-	-	-	-
Avima (Pty) Ltd	100%	100%	54 821	54 821	-	-
Avima Uganda Ltd	100%	100%	4	4	-	-
Efekto Care (Pty) Ltd*	100%	100%	-	457	-	-
Efekto Zambia Limited^	0%	100%	-	-	-	-
Innovative Pest Management (Pty) Ltd°	100%	100%	-	-	-	-
Klub M5 (Pty) Ltd	100%	100%	110 420	110 420	-	-
Klipspringer Products (Pty) Ltd#	100%	100%	-	-	-	-
Ortus Chemicals (Pty) Ltd	100%	100%	22 414	22 414	-	-
Small Pack Solutions Specialists (Pty) Ltd°	100%	100%	-	-	-	-
Taurus Chemicals Cape Kelp (Pty) Ltd^	0%	41%	-	1 520	-	-

**the investment value of these entities have been impaired in 2020*
#the comparative investment value of these entities have been restated as these investments were impaired in the underlying statutory financial statements after the group annual financial statements for 2019 was published.
^entity disposed of during the year
~entity deregistered during the year
°nil due to rounding
&entity reclassified as held for sale. Refer to current assets held for sale note 41 in company annual financial statements for more details
†entity has been sold subsequent to the reporting date

Appendix B: Shareholders' information

Spread of ordinary shareholders	30 June 2020 Number of shares	30 June 2020 Percentage of shares	30 June 2019 Number of shares	30 June 2019 Percentage of shares
Public shareholders	415 089 324	84.8%	389 065 254	79.5%
Non-public shareholders				
- Directors and associates of the company	738 904	0.2%	472 802	0.1%
- Treasury shares (own holdings)[(1)]	11 955 068	2.4%	11 955 068	2.4%
- Strategic holdings (more than 10%)	61 686 663	12.6%	87 976 835	18.0%
Total	**489 469 959**	**100.0%**	**489 469 959**	**100.0%**

[(1)] The treasury shares held by the group in the prior year has been restated due to a prior period error. Refer to the accounting policy note for more details.

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 2% or more of the issued share capital at 30 June 2020:

Major beneficial shareholders holding 2% or more	30 June 2020 Number of shares	30 June 2020 Percentage of shares	30 June 2019 Number of shares	30 June 2019 Percentage of shares
International Finance Corporation	61 686 663	12.6%	18 207 462	3.7%
Government Employees Pension Fund	41 404 331	8.5%	48 890 407	10.0%
Kefolile Health Investments (Pty) Ltd	33 414 331	6.8%	33 414 481	6.8%
WDB Investments Holdings (Pty) Ltd	27 228 305	5.6%	27 228 305	5.6%
Mineworkers Investment Company	25 874 633	5.3%	25 874 633	5.3%
Coast2Coast Capital (Pty) Ltd	23 945 813	4.9%	87 976 835	18.0%
Coutts & Co	23 766 421	4.9%	4 322 421	0.9%

Major fund managers managing 2% or more	30 June 2020 Number of shares	30 June 2020 Percentage of shares	30 June 2019 Number of shares	30 June 2019 Percentage of shares
Mergence Investment Managers	39 326 335	8.0%	35 002 907	7.2%
Public Investment Corporation	21 974 839	4.5%	21 596 334	4.4%
Old Mutual Investment Group	16 940 113	3.5%	14 073 905	2.9%
Laurium Capital	16 917 113	3.5%	21 314 938	4.4%

Major fund managers no longer managing over 2%	30 June 2020 Number of shares	30 June 2020 Percentage of shares	30 June 2019 Number of shares	30 June 2019 Percentage of shares
Jupiter Asset Management	1 978 541	0.4%	18 807 689	3.8%
Blakeney Management	-	-	18 040 446	3.7%
Sentio Capital Management	-	-	15 399 700	3.1%

30 June 2020 Distribution of registered shareholdings	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1 - 1 000	5 951	59.9%	1 425 153	0.3%
1 001 - 10 000	2 630	26.4%	10 272 592	2.1%
10 001 - 100 000	1 067	10.7%	35 202 094	7.2%
100 001 - 1 000 000	237	2.4%	67 205 252	13.7%
1 000 001 shares and over	63	0.6%	375 364 868	76.7%
	9 948	**100.0%**	**489 469 959**	**100.0%**

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
Registered office	31 Georgian Crescent East Bryanston Gauteng 2191
Postal address	PostNet Suite #252 Private Bag X21 Bryanston 2021
Contact details	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
JSE sponsor	Questco Corporate Advisory (Pty) Ltd
Auditors	PricewaterhouseCoopers Inc.
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 Private Bag X9000, Saxonwold, 2132 Telephone: +27 (0)11 370 5000
Company secretary	TM Nkuna (B Com, LLB) mpeo.nkuna@ascendishealth.com

Administration

Directors

AB Marshall (Chairman)*
B Harie#
MS Bomela*
Dr KS Pather*
Dr NY Jekwa*
J Sebulela*
SS Ntsaluba*^^
MJ Sardi (CEO)^
K Futter (CFO)

** Independent non-executive*
 # Lead independent non-executive
^ Appointed 14 October 2019
^^ Appointed 7 April 2020, which appointment will be proposed for ratification by shareholders at the upcoming AGM.

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