Ascendis HEALTH

Unaudited Interim Results

For the six months ended 31 December 2019

Contents

Key features

Group revenue up by 12% to R3.9 billion

Normalised EBITDA up by 6% to R611 million

Normalised operating profit 2% lower at R425 million

Normalised headline earnings for continuing operations down by 9% to R170 million

Normalised HEPS for continuing operations 9% down at 35.1 cps

Commentary

Financial performance

The group is reporting normalised results from continuing operations which have been adjusted for once-off transaction-related and restructuring costs in the current and prior reporting period. Following the termination of the negotiations for the sale of Remedica in Cyprus in December 2019, the business is now classified as a continuing operation after being classified as a discontinued operation for the year ended 30 June 2019.

Group revenue increased by 12% to R3.9 billion (H12019: R3.5 billion). International revenue increased by 14% to R2.2 billion and accounts for 58% of the group's total sales. Revenue generated in South Africa grew by 8% to R1.6 billion.

Revenue growth in the European operations was driven by new tender business secured by Remedica and product launches in Sun Wave Pharma, with both businesses increasing revenue by 30% for the six months. This performance was partly negated by increased competition in Scitec's core markets where revenue was up only 1% and lower licence fee income in Farmalider which contributed to revenue declining by 8%.

In South Africa, Pharma grew revenue by 7% following the recovery from prior year supply challenges, with Medical Devices revenue up 10% on new agency contracts. Consumer Health declined by 5% owing to supply issues due to port strikes and supplier delivery challenges, while revenue in Animal Health was impacted by production challenges in the production animal business.

The group's gross profit increased by 10% to R1.7 billion with the gross profit margin declining by 80 basis points to 44.5% as a result of increased tender sales to the South African and Mexican governments and higher cost of goods in South Africa driven by currency depreciation against the US dollar.

Operating expenses grew by 11%, including once-off transaction and restructuring costs of R74 million (Dec 2018: R36 million). These costs included extensive legal and advisor fees associated with the restructuring of the senior lender debt, and other once-off costs related to the disposal of Biosciences and the Remedica negotiations, as well as increased finance expenses associated with the interim stability agreements with the senior lenders.

Savings totaling R10 million were generated in the first half following the elimination of the European head office structure, centralised marketing services and the position of chief operating officer in South Africa.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 6% to R611 million. This growth was driven by the higher gross profit as a result of the increased revenue, and was partially offset by increased investment in marketing in Europe and South Africa in support of new product launches and higher provisions for legal fees in Farmalider relating to a supplier dispute. The normalised EBITDA margin contracted by 90 basis points to 15.8% due to the higher operating expenses.

The group's normalised operating profit was 2% lower at R425 million, while the group's operating profit was 16% lower at R532 million.

Net finance costs increased by R43 million to R247 million owing mainly to the costs related to the interim stability agreement with lenders, the impact of the adoption of IFRS 16 and interest on deferred vendor liabilities.

An impairment loss of R24 million was recognised for Ascendis Direct Selling owing to the deterioration in the trading results. High level impairment testing was conducted for all continuing businesses and no impairment of goodwill or intangible assets was raised.

The higher non-operating expenses and impairment contributed to the group's profit after tax for the six months declining by 26% to R153 million.

Normalised headline earnings reduced by R18 million to R170 million, with normalised headline earnings per share 9% lower at 35.1 cents (Dec 2018: 38.7 cents).

Gearing and cash management

The group's net bank debt reduced to R5.0 billion from R5.3 billion at the end of the prior period, with the net debt to normalised EBITDA ratio at 6.2x compared to 6.4x at 30 June 2019.

At end December 2019 cash and cash equivalents totalled R204 million, down from R454 million at end June 2019. The group settled bank debt liabilities of R437 million and invested R143 million in capital expenditure. The sale of Biosciences generated net proceeds of R424 million. No dividends were declared or paid during the current or prior reporting period.

Segmental performance

Continuing operations	Consumer Health	Pharma	Medical	Animal Health	Biosciences*
Revenue (R'm)	1 435	1 517	707	238	212
Revenue growth (%)	7	18	11	2	(57)
Normalised EBITDA (R'm)	175	280	137	63	13
Normalised EBITDA growth (%)	27	(5)	3	37	(85)

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

Strategy and outlook

The group's short-term priority is completing 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. Processes and disciplines are being implemented to evaluate the exit value of Remedica as well as addressing potential exit due diligence issues in other businesses.

Management has identified measures to reduce costs and improve liquidity by between R55 million and R125 million over the next twelve months. This includes a headcount freeze, limitation on travel, consolidation of office space across multiple offices, deferral of certain non-critical capital expenditure, inventory reduction, enhanced government debtor collection and a reduction in marketing expenditure.

Mark Sardi
Chief Executive Officer

Kieron Futter
Chief Financial Officer

Johannesburg
11 March 2020

Condensed group statement of profit or loss and other comprehensive income

for the six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 Unaudited R'000	Restated Six months ended 31 December 2018 Unaudited R'000	Restated Year ended 30 June 2019 Unaudited R'000
Revenue		3 860 984	3 458 236	7 117 769
Cost of sales		(2 141 206)	(1 890 706)	(4 120 996)
Gross profit		**1 719 778**	**1 567 530**	**2 996 773**
Other income		8 098	36 312	88 070
Selling and distribution costs		(391 513)	(334 270)	(693 963)
Administrative expenses		(682 924)	(663 851)	(1 454 244)
Net impairment loss on trade receivables		1 785	356	(33 050)
Other operating expenses		(304 046)	(187 347)	(589 869)
Reversal of impairment /(impairment) of non-current assets		1 077	-	(4 197 350)
Operating profit/(loss)		**352 255**	**418 730**	**(3 883 633)**
Finance income		3 792	4 384	4 272
Finance expenses		(251 253)	(208 531)	(407 496)
Profit/(loss) before taxation		**104 794**	**214 583**	**(4 286 857)**
Tax expense	3	(13 437)	(26 446)	(136 135)
Profit/(loss) from continuing operations		**91 357**	**188 137**	**(4 422 992)**
Profit/(loss) from discontinuing operations	10	113 598	32 251	(276 619)
Profit/(loss) for the period		**204 955**	**220 388**	**(4 699 611)**
Other comprehensive income:				
Items that may be reclassified to profit and loss net of tax				
Foreign currency translation reserve		(42 371)	114 142	71 208
Effects of cash flow hedges		1 865	3 455	4 785
Fair value adjustments		(1 303)	(1 363)	515
Recycled to profit and loss		3 168	4 818	4 270
Non-controlling interest relating to items that may be reclassified		(147)	1 452	(10 072)
Income tax relating to items that may be reclassified		(522)	(967)	(1 340)
Items that will not be reclassified to profit and loss net of tax				
Revaluation of property, plant and equipment		-	-	8 251
Income tax relating to items that will not be reclassified		-	-	(2 310)
Other comprehensive (loss)/income for the period net of tax		**(41 175)**	**118 082**	**70 522**
Total comprehensive income/(loss) for the period		**163 780**	**338 470**	**(4 629 089)**
Profit/(loss) attributable to:				
Owners of the parent		219 890	204 892	(4 710 190)
Non-controlling interest		(14 935)	15 496	10 579
		204 955	**220 388**	**(4 699 611)**
Total comprehensive income/(loss) attributable to:				
Owners of the parent		178 861	321 522	(4 629 596)
Non-controlling interest		(15 081)	16 948	507
		163 780	**338 470**	**(4 629 089)**
Earnings/(loss) per share from continuing operations				
Basic and diluted earnings/(loss) per share (cents)	2	21.9	35.6	(914.5)
Total earnings/(loss) per share				
Basic and diluted earnings/(loss) per share (cents)	2	45.4	42.3	(971.5)

Condensed group statement of financial position
at 31 December 2019

	Notes	31 December 2019 Unaudited R'000	Restated 31 December 2018 Unaudited R'000	Restated 30 June 2019 Unaudited R'000
Property, plant and equipment		1 074 301	1 287 656	1 104 503
Right of use asset		299 961	-	-
Intangible assets and goodwill	4	5 234 027	10 029 785	5 335 329
Investments accounted for using the equity method		-	1 633	-
Derivative financial assets		-	118	-
Other financial assets		76 184	61 566	52 315
Deferred tax assets		27 085	102 266	124 714
Non-current assets		**6 711 558**	**11 483 024**	**6 616 861**
Inventories		1 599 182	1 811 824	1 533 105
Trade and other receivables		2 192 321	2 198 550	1 890 343
Other financial assets		880	15 863	6 439
Current tax receivable	9	87 536	128 752	79 197
Derivative financial assets		-	17 210	134
Cash and cash equivalents		272 649	385 469	464 110
		4 152 568	4 557 668	3 973 328
Assets held for sale	10	279 903	130 075	699 049
Current assets		**4 432 471**	**4 687 743**	**4 672 377**
Total assets		**11 144 029**	**16 170 767**	**11 289 238**
Stated capital		6 507 529	6 507 529	6 507 529
Other reserves		(627 534)	(553 623)	(587 335)
(Accumulated loss)/retained income		(3 777 276)	917 531	(3 998 070)
Equity attributable to equity holders of parent		**2 102 719**	**6 871 437**	**1 922 124**
Non-controlling interest		156 346	183 168	168 693
Total equity		**2 259 065**	**7 054 605**	**2 090 817**
Borrowings and other financial liabilities	5	57 319	4 479 573	54 704
Deferred tax liabilities		410 662	483 342	521 274
Deferred vendor liabilities	6	155 589	179 011	154 474
Put-option on equity instrument		-	15 920	-
Contract liabilities		5 253	10 556	5 642
Finance lease liabilities		290 441	24 734	18 694
Employee benefit obligations		5 195	5 866	6 647
Non-current liabilities		**924 459**	**5 199 002**	**761 435**
Borrowings and other financial liabilities	5	5 146 343	1 038 731	5 616 591
Deferred vendor liabilities	6	911 998	937 169	896 798
Put-option on equity instrument		92 328	80 555	93 622
Provisions		40 995	18 453	63 217
Contract liabilities		15 532	24 486	8 423
Finance lease liabilities		27 871	13 001	12 747
Derivative financial liabilities		11 357	2 225	2 742
Trade and other payables		1 444 477	1 540 149	1 377 328
Current tax payable	9	89 595	85 559	123 963
Bank overdraft		68 223	146 611	66 995
		7 848 719	3 886 939	8 262 426
Liabilities held for sale	10	111 786	30 221	174 560
Current liabilities		**7 960 505**	**3 917 160**	**8 436 986**
Total liabilities		**8 884 964**	**9 116 162**	**9 198 421**
Total equity and liabilities		**11 144 029**	**16 170 767**	**11 289 238**

Condensed group statement of changes in equity

for the six months ended 31 December 2019

R'000	Stated capital	Foreign currency translation reserve	Revaluation reserve	Hedging reserve	Put-option non-controlling interest reserve	Other reserves	Retained Income/ (Accumulated loss)	Total attributable to equity holders of the group	Non-controlling interest	Total Equity
Balance as at 1 July 2018 (Audited)	**6 512 930**	**(74 856)**	**11 511**	**(5 660)**	**(114 650)**	**(442 570)**	**691 913**	**6 578 618**	**161 515**	**6 740 133**
Profit for the period	-	-	-	-	-	-	204 892	**204 892**	15 496	220 388
Other comprehensive income	-	114 142	-	2 488	-	-	-	**116 630**	1 452	118 082
Total comprehensive income for the period	**-**	**114 142**	**-**	**2 488**	**-**	**-**	**204 892**	**321 522**	**16 948**	**338 470**
Net movement of treasury shares	(5 401)	-	-	-	-	-	-	(5 401)	-	(5 401)
Dividends	-	-	-	-	-	-	-	-	(13 205)	(13 205)
Foreign currency translation reserve	-	-	(124)	-	(3 281)	1 677	-	(1 728)	(1 971)	(3 699)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(1 693)	(1 693)
Statutory reserve: Farmalider allocation to reserve[(1)]	-	-	-	-	-	(42 300)	20 726	(21 574)	21 574	-
Total contributions by and distributions to owners of the Group recognised directly in equity	**(5 401)**	**-**	**(124)**	**-**	**(3 281)**	**(40 623)**	**20 726**	**(28 703)**	**4 705**	**(23 998)**
Balance as at 31 December 2018 (Unaudited)(Restated)	**6 507 529**	**39 286**	**11 387**	**(3 172)**	**(117 931)**	**(483 193)**	**917 531**	**6 871 437**	**183 168**	**7 054 605**
Loss for the period	-	-	-	-	-	-	(4 915 083)	**(4 915 083)**	(4 917)	(4 920 000)
Other comprehensive (loss)/income	-	(42 934)	5 941	957	-	-	-	**(36 036)**	(11 524)	(47 560)
Total comprehensive (loss)/income for the period	**-**	**(42 934)**	**5 941**	**957**	**-**	**-**	**(4 915 083)**	**(4 951 119)**	**(16 441)**	**(4 967 560)**
Dividends	-	-	-	-	-	-	-	-	(6)	(6)
Foreign currency translation reserve	-	-	134	-	3 524	(1 852)	-	1 806	1 972	3 778
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(25)	(25)
Reclassification of reserves into retained earnings	-	-	-	-	-	518	(518)	-	-	-
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	25	25
Total contributions by and distributions to owners of the Group recognised directly in equity	**-**	**-**	**134**	**-**	**3 524**	**(1 334)**	**(518)**	**1 806**	**1 966**	**3 772**
Balance as at 30 June 2019 (Unaudited)(Restated)	**6 507 529**	**(3 648)**	**17 462**	**(2 215)**	**(114 407)**	**(484 527)**	**(3 998 070)**	**1 922 124**	**168 693**	**2 090 817**
IFRS 16 adjustment	-	-	-	-	-	-	904	904	-	904
Adjusted opening balance as at 30 June 2019 (Unaudited)	**6 507 529**	**(3 648)**	**17 462**	**(2 215)**	**(114 407)**	**(484 527)**	**(3 997 166)**	**1 923 028**	**168 693**	**2 091 721**
Profit/(loss) for the period	-	-	-	-	-	-	219 890	219 890	(14 935)	204 955
Other comprehensive (loss)/income	-	(42 371)	-	1 343	-	-	-	(41 028)	(147)	(41 175)
Total comprehensive (loss)/income for the year	**-**	**(42 371)**	**-**	**1 343**	**-**	**-**	**219 890**	**178 862**	**(15 082)**	**163 780**
Foreign currency translation reserve	-	-	58	-	1 582	(811)	-	829	-	829
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(1)	(1)
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	2 736	2 736
Total contributions by and distributions to owners of the Group recognised directly in equity	**-**	**-**	**58**	**-**	**1 582**	**(811)**	**-**	**829**	**2 735**	**3 564**
Balance as at 31 December 2019 (Unaudited)	**6 507 529**	**(46 019)**	**17 520**	**(872)**	**(112 825)**	**(485 338)**	**(3 777 276)**	**2 102 719**	**156 346**	**2 259 065**

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

Condensed group cash flow statement

for the six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 Unaudited R'000	Restated Six months ended 31 December 2018 Unaudited R'000	Restated Year ended 30 June 2019 Unaudited R'000
Cash generated from operations	7	219 850	494 101	544 044
Cash (utilised by)/generated from discontinued operations	10	(3 609)	(4 227)	37 373
Interest income received		3 792	2 994	4 273
Finance costs paid		(204 307)	(183 383)	(346 401)
Income taxes paid	9	(56 545)	(61 504)	(42 696)
Net cash (outflow)/inflow from operating activities		**(40 819)**	**247 981**	**196 593**
Cash flows from investing activities				
Purchase of property, plant and equipment		(99 594)	(195 159)	(299 992)
Proceeds on the sale of property, plant and equipment		16 055	24 699	59 690
Purchase of intangibles assets		(42 940)	(91 743)	(188 136)
Proceeds on the sale of intangible assets		19	3 492	3 011
Proceeds from disposal of subsidiaries - net of cash		423 996	54 183	158 094
Proceeds from disposal of a disposal group		-	(130 000)	-
Settlement of financial instruments		-	(39 340)	-
Repayments on deferred vendor liabilities		-	(209 719)	(230 061)
Loans advanced to related parties		-	(19 339)	-
Loans advanced to external parties		-	(12 180)	-
Investment in other financial assets		(8 477)	-	(6 329)
Net cash from investing activities - discontinued operations	10	(4 980)	(28 908)	(29 377)
Net cash inflow/(outflow) from investing activities		**284 079**	**(644 014)**	**(533 100)**
Cash flows from financing activities				
Payments made to acquire treasury shares		-	(5 401)	(5 401)
Proceeds from borrowings raised	13	106 452	214 223	605 759
Repayment of borrowings	13	(543 166)	(278 948)	(477 271)
Finance lease liabilities repaid	13	(39 867)	(5 224)	(16 917)
Dividends paid to minority interests		-	-	(2 005)
Net cash from financing activities - discontinued operations	10	(977)	7 679	(537)
Net cash (outflow)/inflow from financing activities		**(477 558)**	**(67 671)**	**103 628**
Net decrease in cash and cash equivalents		**(234 298)**	**(463 704)**	**(232 879)**
Cash and cash equivalents at beginning of period		397 114	686 623	686 623
Effect of exchange difference on cash balances		(2 779)	14 791	(166)
Cash and cash equivalents at the beginning of period - assets held for sale	10	56 464	-	-
Cash and cash equivalents at end of period - assets held for sale	10	(12 075)	1 148	(56 464)
Cash and cash equivalents at end of period		**204 426**	**238 858**	**397 114**

Corporate information

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

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 December 2019 are prepared in accordance with the requirements of the JSE Listings Requirements, and the requirements of the Companies Act, 2008 applicable to interim financial statements. The JSE Listings Requirements requires interim financial statements to be prepared in accordance and containing the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2019, which have been prepared in accordance with IFRS. The condensed consolidated interim financial statements and any forward looking information have not been externally reviewed or audited.

The unaudited condensed interim financial statements for the six months ended 31 December 2019 have been prepared under the supervision of Chief Financial Officer, Kieron Futter CA (SA). The interim financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments and land and buildings at fair value. The interim financial statements are prepared on a going concern basis using accrual accounting.

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

Performance Measures

Performance measures (PMs) are not defined or specified per the requirements of IFRS but are derived from the financial statements prepared in accordance with IFRS. They are consistent with how the group's performance is measured and reported internally to assist in providing meaningful analyses. The PMs are used to improve comparability of information between reporting periods and segments by adjusting for infrequent items. The key PMs used by the group are Normalised EBITDA (refer to note 1), Normalised operating profit and Normalised headline earnings per share. PMs disclosed may not be comparable with similar labelled measures and disclosures provided by other entities and users should not use them in isolation or as a substitute for other measures. They are not intended to be projections or forecasts of future results. Detailed disclosure of the performance measures is included on the Ascendis Health website: https://ascendishealth.com/wp-content/uploads/2020/02/Ascendis-Health-Performance-Measures-Jan-2020.pdf.

Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group and company can continue in operational existence for the foreseeable future, which is 12 months following 31 December 2019.

The group's results in the current period were impacted by the adverse trading conditions in the South African Consumer market offset by improving results from the European businesses. As a result, the group incurred a net profit after taxation of R205 million.

Going concern (continued)

Despite incurring significant operational losses in the prior year and returning to profit in the current period the group's total assets of R11.2 billion exceeds its total liabilities of R8.9 billion, however the current liabilities of R8.0 billion exceed the current assets of R4.4 billion which indicates that the group's solvency ratio is insufficient.

Impact on liquidity

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

A. Weak trading performance in Scitec in the prior year due to increased competition which resulted in larger price discounts being given to customers as well as a delay in the launch of their new Endurance Brands.

B. Lower sales in South Africa caused by supplier issues and liquidity constraints as well as a depressed consumer environment.

C. Decrease in cash reserves due to:
   - Increase in advisory fees associated with the pursuance of disposing Remedica;
   - Increase in the finance cost due to the stability margin raised on group debt after entering into the Interim Stability Agreement (ISA);
   - Increase in advisory and professional fees related to the debt restructure project;
   - Increase in government debtors in the SA Pharma and Medical Devices division driven by increased sales and slower repayment;
   - Increase in Remedica debtors associated with a Mexican government tender;
   - Increase in inventory levels in Ascendis Medical due to the award of a new Diagnostic Agency contract.

D. Increase in debt levels from a Bridge loan needed to cure the liquidity shortfall experienced in the third quarter of the 2019 financial year. This loan was repaid on 31 July 2019 upon the successful completion of the Biosciences tranche 1 disposal.

Liquidity and Capital management

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

These forecasts have been reviewed by independent international external advisers as part of the debt refinance project. A comprehensive report recommending the optimal capital structure for the group and the pathway to refinancing was presented to the board of directors (Board) in February 2019. A target Leverage ratio of 2 times was recommended. This proposal was approved by the Board and the draft proposal was presented to the Lender Consortium.

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

After the termination of the negotiations with the preferred bidder on the disposal of Remedica, the group and its advisors have proposed debt restructuring/refinancing options which the Board has approved and have been submitted to the lender consortium for their review and agreement.

Going concern (continued)

Liquidity and Capital management (continued)

Another independent Company Restructuring advisor was appointed, by request from the Lender Consortium, in January 2020 to review and evaluate the group's cash flow forecasting process and restructuring plans. The outcome of these reviews has been shared with the Lender Consortium and the Board is awaiting feedback from the Lender Consortium.

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

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

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

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

Interventions to rationalise and restructure the group and to improve liquidity have been implemented in FY2019 and have continued into FY2020. These include:

1. Disposal of Remedica was pursued, the proceeds of which would have been used to repay the Remedica deferred vendor liability and the majority of the Senior Bank Debt

    a. Negotiations were terminated with the preferred bidder in December 2019.
    b. The Senior Bank Debt and Remedica deferred vendor liability therefore remain on the group's balance sheet with alternative actions being taken to address the high group debt and deferred vendor liabilities as described later in this note.

2. Disposal of Bioscience division

    a. In September 2018, the company announced the disposal of non-core assets in the Bioscience division as a single plan to sell.
    b. An offer was received by the existing Management team for the full Bioscience division and was later amended to only include Efekto, Marltons and Afrikelp. A sales and purchase agreement was concluded in May 2019 and the transaction closed at the end of July 2019.
    c. Ascendis Health negotiated with its Lender Consortium to retain R360 million of the R473 million proceeds from the sale of Efekto, Marltons and Afrikelp to be used for the company's working capital requirements to improve the liquidity position. A bridge loan of R360 million was made on the 2 May 2019. This bridge loan was repaid on 31 July 2019 when the sale concluded.
    d. The remaining businesses in the Bioscience division remain classified as held for sale. The proceeds of those sales will be used to repay debt. The disposal process is in progress with the expectation for funds to flow in the next 12 months.

Going concern (continued)

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

3. Ascendis Health has negotiated an Interim Stability Agreement (ISA) with its Lender Consortium in May 2019 to allow the Remedica disposal to be completed without any debt capital payments having to be made. The ISA was particularly drafted to ensure that no defaults were outstanding for the group facility which would in turn trigger the bilateral facilities. The ISA includes an absolute waiver of any relevant defaults and has provided for a deferral of the capital payment which originally fell due on 30 June 2019. This waiver is subject to certain terms and conditions. As a result, as we stand no bank or lender (for the bilateral facilities or the group facilities) has a right to call for repayment of their debt. The ISA period has been extended to 15 May 2020 in order to finalise the group refinance project.

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

    a. The Sports Nutrition business in Australia, has been shut down in December 2019. The business had incurred a normalised EBITDA loss of R37 million in FY2019.
    b. The South African Pharma business factory located in Isando was sold in December 2018 for R130 million. This has resulted in annual costs of R46 million no longer being incurred by the group.
    c. SA Sports Nutrition business was sold in August 2018 for R54 million, this business had incurred a normalised EBITDA loss of R80 million in FY2018 with further losses incurred in 2019 to close down the entities.
    d. The Direct Selling business is currently being marketed for sale. This business made a normalised EBITDA loss of R5 million in FY2019 and normalised EBITDA loss of R5.3 million for FY2020 year to date.

5. Cost reduction to match reduced business sizes

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

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

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

The material assumptions include the following:

1. SA Businesses will have sufficient levels of the correct inventory to sell

    a. A key assumption to the liquidity forecast is that supply contracts will be executed in line with forecasted sales projections and supplier orders delivered full and on time.
    b. Business unit performance is re-forecasted on a weekly basis and the liquidity model constantly updated with current market conditions and supplier performance.

Going concern (continued)

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

2. Overhead reduction strategies are implemented and achieved

    a. The group has forecast further overheads reduction strategies, within its FY2020 liquidity model.
    b. The liquidity model would be impacted by any intervention not realised.
    c. To date, since the commencement of the rationalising and restructuring of the group, it has been able to realise the benefits forecast.
    d. The value of cash benefits to be realised, included within the liquidity model, approximates 10% of the total liquidity enhancement forecasted for the group in FY2020.
    e. Any further reduction in business size, would necessitate further overhead reduction and retrenchments.

3. Other cash enhancing actions are realised

    a. A material input into the group's liquidity model is the value of the cash enhancing activities which the group has forecast.
    b. To date the group has been very successful in the realisation of these opportunities with R70 million collected by June 2019.
    c. An amount of R100 million is forecast to be reduced in Ascendis Medical inventory levels with the implementation of a new stock planning system.
    d. The group's short term liquidity model is very sensitive to these collections and delays in collection could place the group's liquidity under pressure in the short term and could breach short-term bridging funding covenants if not carefully managed.

4. Specific assumptions used in cash flow forecast model

    a. Sales volume and price - Average annual growth rate over the five-year forecast period; based on current industry trends and including long-term inflation forecasts for each territory.
    b. Budgeted gross margin - Based on past performance and management's expectations for the future.
    c. Other operating costs - Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future unplanned restructurings or cost-saving measures.
    d. Annual capital expenditure for PPE and Intangibles - Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
    e. Long-term growth rate - This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
    f. Pre-tax discount rates - Reflect specific risks relating to the relevant segments and the countries in which they operate.

The group's executive committee is responsible for the realisation of these actions and monitor these on a weekly basis. The following feedback is provided to the banking consortium lenders on a fortnightly basis:

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

Going concern (continued)

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

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

Solvency and Liquidity position at 31 December 2019

At 31 December 2019 the group's total assets exceeded total liabilities by R2.3 billion. However current liabilities exceeded its current assets by R3.6 billion. This is an indication that the company will require further funding to settle its current obligations and continue as a going concern. The higher than expected current liabilities include the senior bank debt.

The covenants relating to the facilities and the senior bank loan, with an outstanding balance of R5.2 billion at 31 December 2019, were breached as a result of poor trading conditions and higher debt levels. The bank loan has, as a result, been classified as a current liability. Our financiers are, however, assessing conditions on a continuous basis and are committed to work closely with management to ensure that the facilities are maintained. There is a very low probability of the Lender Consortium requesting early settlement of all outstanding debt based on the regular weekly interactions between Management and Lenders.

Therefore the only alternative was to enter into negotiations with the lender consortium to refinance the current group senior debt facilities.

Group senior debt restructuring/refinancing

As part of the group's intention to focus on its core operations, address its capital structure and materially deleverage its business, it is pursuing a number of divestment options.

There have been delays in the execution and implementation of the proposed disposals and as such the ISA was amended and restated to provide for *inter alia*, the deferral of the termination date and an extension of the stability period to 15 May 2020.

Conclusion

Although the events, conditions, judgements and assumptions described above give rise to a degree of uncertainty, the directors are of the opinion that the group has the ability to continue as a going concern and to realise assets and discharge liabilities in the normal course of business.

In forming that opinion, the directors have considered the negative outcome relating to the disposal of Remedica after negotiations with the preferred bidder were terminated. They have resolved to keep Remedica as a continuing operation and have entered into refinance negotiations with the Lender Consortium. This project is expected to be concluded by Q4 FY2020 and the Lender Consortium is still in full support of Ascendis continuing trading in future. The board has also considered the financial plans and forecasts as well as the actions taken by the company and its subsidiaries. Based on the information available to them, the board is therefore of the opinion that the going concern assumption is appropriate in the preparation of the interim financial statements.

Restatements and Prior period errors

Restatements for the six months ended 31 December 2018 and year ended 30 June 2019:

Discontinued operations

In the December 2018 interim financial statements, Ascendis Health presented Direct Selling and Sports Nutrition as discontinued operations. During the 2019 financial year the Biosciences segment and Remedica segment has been classified as assets and liabilities held for sale and discontinued operations. However, during the period under review, there was a change in plan to sell Remedica and it was assessed that it is no longer a discontinued operation in terms of IFRS 5. The comparative information have been restated in terms of IFRS 5. Refer to Note 10 for more details.

Restatements for the six months ended 31 December 2018:

Normalised headline earnings per share PM

The group changed its definition of normalised headline earnings per share in the June 2019 financial year. Normalised headline earnings PM is calculated by excluding specific non-trading items from the group's earnings. The definition of normalised headline earnings was changed in order to provide a more meaningful understanding of the group's sustainable recurring financial performance. The comparative information has been restated. Please refer to note 2 for more details.

Prior period errors

Prior period errors for the six months ended 31 December 2018:

The following prior period errors have been restated retrospectively in terms of IAS 8.

Demo equipment reclassification

In the 2018 financial, some demo equipment were incorrectly capitalised to inventory. This error in the 31 December 2018 interim financial statements has been restated as presented below. Inventory, property, plant and equipment and depreciation have been restated.

Section 23N limitation of interest

Upon finalisation and submission of prior year IT14 tax returns for 4 entities in the group it was discovered that the limitation of the interest deduction on loans used for the acquisition of businesses in terms of section 23N of the Income Tax Act 58 of 1962 was not applied. All affected prior year tax returns were amended and submitted to SARS. The income tax expense, expected penalties and interest to SARS in the income statement and current tax payable have been restated as at 31 December 2018.

Farmalider statutory audit adjustments

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

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

Restatements and Prior period errors (continued)

Goodwill and intangible assets reclassification

A correction of brands and trade mark intangible assets and goodwill was recorded as a consolidation journal in 2015 relating to the Chempure and Ascendis Consumer Brands (ACB) businesses. In 2017 the correction was processed at entity level to correctly reflect goodwill and intangible assets in ACB and Chempure. However, the previous group consolidation journal that was recognised in 2015 was not reversed. This resulted in the goodwill and intangible asset reclassification being double accounted for from 2017. This error was identified during the preparation of the June 2019 consolidated financial statements. This has resulted in a reclassification between goodwill and intangible assets. The amortisation was correctly recognised in all prior periods.

The split of intangible asset categories was incorrectly disclosed in the group consolidated financial statements when compared to the original purchase price adjustment reports for various acquisitions prior to 2017. The categories of intangible assets have been restated in the June 2018 opening balances. Refer to note 4 for more details.

Headline earnings per share

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

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

		Restatements	Prior period errors				
December 2018 Statement of profit and loss	**Reported R'000**	**Discontinued operations R'000**	**Demo equipment R'000**	**Section 23N tax deduction R'000**	**Farmalider statutory audit R'000**	**Goodwill & intangible assets R'000**	**Restated R'000**
Revenue	3 955 324	(497 088)	–	–	–	–	**3 458 236**
Cost of sales	(2 177 970)	287 264	–	–	–	–	**(1 890 706)**
Gross profit	**1 777 354**	**(209 824)**	**–**	**–**	**–**	**–**	**1 567 530**
Expenses	(1 302 352)	153 552	–	–	–	–	**(1 148 800)**
Net finance cost	(204 223)	76	–	–	–	–	**(204 147)**
Income tax	(33 653)	7 207	–	–	–	–	**(26 446)**
Profit from continuing operations	**237 126**	**(48 989)**	**–**	**–**	**–**	**–**	**188 137**
Loss from discontinued operations	(16 738)	48 989	–	–	–	–	**32 251**
Profit for the period	**220 388**	**–**	**–**	**–**	**–**	**–**	**220 388**
Total operations - Basic earnings per share (cents)	**(10.1)**	**10.1**	–	–	–	–	**–**

Restatements and Prior period errors (continued)

December 2018 Statement of financial position	Reported R'000	Restatements: IFRS 9 and IFRS 15 R'000	Prior period errors: Demo equipment R'000	Prior period errors: Section 23N tax deduction R'000	Prior period errors: Farmalider statutory audit R'000	Prior period errors: Goodwill & intangible assets R'000	Restated R'000
Property, plant and equipment	1 244 569	–	43 087	–	–	–	**1 287 656**
Intangible assets and goodwill	10 029 785	–	–	–	–	–	**10 029 785**
Intangible assets	4 573 599	–	–	–	–	149 629	**4 723 228**
Goodwill	5 456 186	–	–	–	–	(149 629)	**5 306 557**
Deferred tax assets	100 268	1 998	–	–	–	–	**102 266**
Inventory	1 857 338	–	(45 514)	–	–	–	**1 811 824**
Trade and other receivables	2 196 139	2 411	–	–	–	–	**2 198 550**
Current tax receivables	141 996	–	–	(13 244)	–	–	**128 752**
Borrowings and other financial liabilities	4 478 600	–	–	–	973	–	**4 479 573**
Trade and other payables	1 524 554	12 360	–	–	3 235	–	**1 540 149**
Retained earnings	967 524	(30 115)	(2 427)	(13 244)	(4 207)	–	**917 531**

Principal Accounting Policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the consolidated annual financial statements for the year ended 30 June 2019, except for the adoption of IFRS 16 *Leases*.

New standards adopted by the group

The group has adopted all the new, revised or amended accounting standards and interpretations as issued by the Internal Accounting Standards Board (IASB) which were effective from 1 July 2019. The following standard had a material impact on the group:

- IFRS 16 *Leases*

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

The group adopted IFRIC 23 Uncertainty over Income Tax treatments, the standard did not have a material impact on the group.

Principal Accounting Policies (continued)

Foreign currency

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

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

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

Critical accounting judgements, estimates and assumptions

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

Significant estimates and judgements were made on the following items:

Key estimates

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

Accounting judgements

- Going concern assumption.
- Impairment testing and allocation of cash-generating units.
- The useful lives and residual values of property, plant and equipment and intangible assets.
- Recoverability of deferred tax assets.
- Revenue recognition.
- Exercising the extension or termination option in lease contracts.

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 10 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 medicines Consumer Brands products. This division includes three reportable segments:
  - Consumer Health Africa segment: operating predominantly in the South African market.
  - Scitec segment: operating predominantly in the European market.
  - Sun Wave segment: operating predominantly in Romania.
- Pharma, incorporating Ascendis' pharmaceutical products. This division includes three reportable segments:
  - Pharma Africa segment: operating predominantly in the South African market.
  - Remedica segment: operating predominantly in the European market.
  - Farmalider segment: operating predominantly in Spain.
- Medical, incorporating the supply of medical devices and consumables. The segment is operating predominantly in South Africa.
- Animal Health, incorporating manufacturing and distribution of animal health products. The segment is operating predominantly in South Africa.
- Biosciences, incorporating manufacturing and distribution of crop protection, public pesticides and equipment. The segment is operating predominantly in South Africa.

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

Due to changes in the classification of discontinued operations (refer to note 10 for more details), information relating to the comparative periods has been represented.

1. Group Segmental Analysis (continued)

Revenue split by segment	Six months ended 31 December 2019 Unaudited R'000	Restated Six months ended 31 December 2018 Unaudited R'000	Restated Year ended 30 June 2019 Unaudited R'000
Consumer Health	1 435 476	1 340 719	2 701 391
Africa	379 344	386 135	738 569
Scitec	620 054	617 309	1 246 002
Sun Wave	436 078	337 275	716 820
Pharma	1 516 749	1 289 174	2 754 905
Africa	342 804	293 699	632 288
Remedica	902 546	701 233	1 543 270
Farmalider	271 399	294 242	579 347
Medical	706 736	636 463	1 268 085
Animal Health	237 841	234 111	466 957
Biosciences	212 069	497 088	856 552
Other	3 984	7 634	7 877
Less: Discontinued operations	(251 871)	(546 953)	(937 998)
Total revenue	**3 860 984**	**3 458 236**	**7 117 769**

Revenue by geographical location			
South Africa	1 863 099	2 026 908	3 938 319
Cyprus	902 546	701 233	1 543 270
Spain	271 399	294 141	579 347
Other Europe	1 071 827	975 273	1 986 954
Other	3 984	7 634	7 877
Less: Discontinued operations	(251 871)	(546 953)	(937 998)
Total revenue	**3 860 984**	**3 458 236**	**7 117 769**

Revenue by customer destination			
Africa	2 017 440	2 144 245	4 131 878
South Africa	1 677 222	1 813 336	3 554 050
Rest of Africa	340 218	330 909	577 828
Europe	1 613 000	1 490 141	3 112 436
Romania	447 662	349 666	747 621
Spain	259 543	271 632	524 184
Germany	165 611	159 449	298 424
Hungary	97 005	104 654	218 899
France	72 777	99 704	260 896
Cyprus	34 908	40 096	87 019
Other	535 494	464 940	975 393
Asia Pacific	276 795	283 726	601 983
Asia	258 421	259 668	554 180
Australia	12 148	18 533	29 433
New Zealand	6 226	5 525	18 370
United Kingdom	35 913	37 684	81 842
South America	163 201	33 199	94 797
North America	6 480	16 194	32 831
Less: Discontinued operations	(251 845)	(546 953)	(937 998)
Total revenue	**3 860 984**	**3 458 236**	**7 117 769**

1. Group Segmental Analysis (continued)

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

27% of the Group's revenue is generated through the wholesale and retail market (December 2018: 51%). In this market, 1% (December 2018: 6%) of the total group revenue is derived from a single customer and 10% (December 2018: 10%) 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 EXCO for purposes of making decisions about allocating resources to the segment and assessing its performance. The percentage disclosed represents the normalised EBITDA/revenue margin.

Normalised EBITDA split by segment	**Six months ended 31 December 2019 Unaudited R'000**	**%**	**Restated Six months ended 31 December 2018 Unaudited R'000**	**%**	**Restated Year ended 30 June 2019 Unaudited R'000**	**%**
Consumer Health	175 070	12%	137 630	10%	158 184	6%
Africa	34 450	9%	29 036	8%	(20 194)	-3%
Scitec	20 016	3%	14 721	2%	6 111	0%
Sun Wave	120 604	28%	93 873	28%	172 267	24%
Pharma	279 776	18%	296 257	23%	550 417	20%
Africa	3 256	1%	(2 269)	-1%	(2 401)	0%
Remedica	277 142	31%	230 676	33%	476 625	31%
Farmalider	(622)	0%	67 850	23%	76 193	13%
Medical	137 453	19%	132 778	21%	96 075	8%
Animal Health	62 650	26%	46 250	20%	81 408	17%
Biosciences	12 725	6%	84 197	17%	107 927	13%
Head office	(54 799)		(49 976)		(129 710)	-
Other	5 968	150%	(2 446)	-32%	(37 104)	-471%
Less: Discontinued operations	(7 408)	3%	(65 912)	12%	(71 686)	22%
Total normalised EBITDA	**611 435**	**16%**	**578 778**	**17%**	**755 511**	**5%**
Non-controlling interest proportionate share	861		(27 798)		(30 138)	
Total normalised EBITDA attributable to the parent	**612 296**		**550 980**		**725 373**	

1. Group Segmental Analysis (continued)

Reconciliation of normalised EBITDA to Consolidated Results	Six months ended 31 December 2019 Unaudited R'000	Restated Six months ended 31 December 2018 Unaudited R'000	Restated Year ended 30 June 2019 Unaudited R'000
Consolidated profit/(loss) before taxation from continuing	**104 794**	**214 583**	**(4 286 857)**
Finance income	(3 792)	(4 384)	(4 272)
Finance expense	251 253	208 531	407 496
Total impairment, amortisation and depreciation	185 665	143 789	4 507 650
Acquisition of businesses costs * (1)	617	526	14 495
Disposal of businesses costs *	30 990	1 112	28 161
Restructuring and retrenchment costs *	2 401	667	20 632
Debt/capital restructuring costs *	40 166	33 511	83 590
Profit on disposal of Isando manufacturing plant	-	(19 557)	(17 355)
(Reversal of impairment)/ Impairment of investment *	(659)	-	1 971
Non-controlling interest proportionate share	861	(27 798)	(30 138)
Total normalised EBITDA attributable to the parent	**612 296**	**550 980**	**725 373**

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

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

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

Normalised EBITDA split by segment	Previously reported December 2018 R'000	Prior period discontinued operations R'000	Current period discontinued operations R'000	Change in accounting policy R'000	Restated December 2018 R'000
Consumer Health	155 915	(18 285)	-	-	137 630
Africa	47 321	(18 285)	-	-	29 036
Scitec	14 721	-	-	-	14 721
Sun Wave	93 873	-	-	-	93 873
Pharma	317 011	-	-	(20 754)	296 257
Africa	18 485	-	-	(20 754)	(2 269)
Remedica	230 676	-	-	-	230 676
Farmalider	67 850	-	-	-	67 850
Medical	132 778	-	-	-	132 778
Animal Health	46 250	-	-	-	46 250
Biosciences	84 197	-	-	-	84 197
Head office	(49 976)	-	-	-	(49 976)
Other	(2 446)	-	-	-	(2 446)
	683 729	**(18 285)**	**-**	**(20 754)**	**644 690**
Less: Discontinued operations	-	18 285	(84 197)	-	(65 912)
Total normalised EBITDA	**683 729**	**-**	**(84 197)**	**(20 754)**	**578 778**
Non-controlling interest proportionate share	(27 798)	-	-	-	(27 798)
Total normalised EBITDA attributable to the parent	**655 931**	**-**	**(84 197)**	**(20 754)**	**550 980**

1. Group Segmental Analysis (continued)

Reconciliation of normalised EBITDA to Consolidated Results	Previously reported 31 December 2018 R'000	Discontinued operations R'000	Reclassifi-cation R'000	Change in accounting policy R'000	Restated 31 December 2018 R'000
Consolidated profit/(loss) before taxation from continuing operations	**270 779**	**(56 196)**	**-**	**-**	**214 583**
Finance income	(4 628)	244	-	-	(4 384)
Finance expense	208 851	(320)	-	-	208 531
Total impairment, amortisation and depreciation	167 320	(23 531)	-	-	143 789
Acquisition of businesses costs	526			-	526
Disposal of businesses costs	-	-	1 112	-	1 112
Restructuring and retrenchment costs	39 684	(4 394)	(34 623)	-	667
Debt/capital restructuring costs	-	-	33 511	-	33 511
Isando manufacturing operations loss	20 754	-	-	(20 754)	-
Profit on disposal of Isando manufacturing plant	(19 557)	-	-	-	(19 557)
Non-controlling interest proportionate share	(27 798)	-	-	-	(27 798)
Total normalised EBITDA attributable to the parent	**655 931**	**(84 197)**	**-**	**(20 754)**	**550 980**

Net finance cost split by segment	Six months ended 31 December 2019 Unaudited R'000		Restated Six months ended 31 December 2018 Unaudited R'000		Restated Year ended 30 June 2019 Unaudited R'000	
	Finance income	Finance expense	Finance income	Finance expense	Finance income	Finance expense
Consumer Health	420	(108 679)	396	(76 924)	760	(154 963)
Africa	39	(2 326)	101	(461)	181	(3 006)
Scitec	-	(86 343)	-	(70 737)	-	(139 726)
Sun Wave	381	(20 010)	295	(5 726)	579	(12 231)
Pharma	1 156	(17 710)	208	(17 147)	63	(37 120)
Africa	-	(105)	4	(251)	8	(1 122)
Remedica	-	(13 788)	54	(15 470)	55	(30 742)
Farmalider	1 156	(3 817)	150	(1 426)	-	(5 256)
Medical	20	(10 320)	317	(47)	362	(629)
Animal Health	20	(787)	108	(71)	356	(1 985)
Biosciences	52	(1 025)	254	(319)	661	(1 187)
Head Office	2 176	(114 123)	3 345	(114 342)	2 733	(212 799)
Other	-	(3)	10	(7)	10	(6)
Less: Discontinued operations	(52)	1 394	(254)	326	(673)	1 193
Total finance income/(cost)	**3 792**	**(251 253)**	**4 384**	**(208 531)**	**4 272**	**(407 496)**

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

1. Group Segmental Analysis (continued)

Assets and liabilities split by segment	Six months ended 31 December 2019 Unaudited R'000 Assets	Liabilities	Restated Six months ended 31 December 2018 Unaudited R'000 Assets	Liabilities	Restated Year ended 30 June 2019 Unaudited R'000 Assets	Liabilities
Consumer Health	2 418 199	(4 237 856)	5 513 970	(3 649 804)	2 321 785	(4 243 885)
Africa	705 665	(171 118)	1 195 043	(246 681)	696 315	(144 884)
Scitec	570 204	(3 636 801)	3 142 652	(2 925 546)	505 481	(3 666 666)
Sun Wave	1 142 330	(429 937)	1 176 275	(477 577)	1 119 989	(432 335)
Pharma	5 867 106	(2 191 995)	6 721 093	(2 846 010)	5 810 168	(2 120 542)
Africa	376 058	(176 803)	936 069	(203 788)	406 237	(195 040)
Remedica	4 920 471	(1 486 925)	4 767 661	(2 148 098)	4 817 866	(1 397 127)
Farmalider	570 577	(528 267)	1 017 363	(494 124)	586 065	(528 375)
Medical	1 585 234	(422 395)	1 740 983	(364 022)	1 502 520	(325 412)
Animal Health	730 630	(143 936)	934 571	(236 311)	728 159	(133 054)
Biosciences - held for sale	274 087	(156 345)	994 311	(266 375)	661 052	(221 631)
Head office	261 611	(1 732 298)	233 785	(1 747 381)	263 708	(2 153 269)
Other	7 162	(139)	32 054	(6 259)	1 846	(628)
Total consolidated assets and liabilities	**11 144 029**	**(8 884 964)**	**16 170 767**	**(9 116 162)**	**11 289 238**	**(9 198 421)**

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

Fixed assets per geographic location	Six months ended 31 December 2019 Unaudited R'000	Restated Six months ended 31 December 2018 Unaudited R'000	Restated Year ended 30 June 2019 Unaudited R'000
South Africa	355 873	409 526	398 962
Cyprus	593 587	581 145	585 062
Hungary	112 217	241 944	127 640
Romania	1 170	29 315	24 666
Spain	17 487	23 350	32 099
Other	-	9 504	-
Assets held for sale	(6 033)	(7 128)	(63 926)
Fixed assets per geographic location	**1 074 301**	**1 287 656**	**1 104 503**

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 4/2018.

Weighted average number of shares

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the 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)

	Six months ended 31 December 2019 Unaudited R'000			Restated Six months ended 31 December 2018 Unaudited R'000			Restated Year ended 30 June 2019 Unaudited R'000		
	Continuing operations	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**	**Continuing operations**	**Discontinued operations**	**Total**
(a) **Basic earnings/(loss) per share**									
Profit/(loss) attributable to owners of the parent	106 292	113 598	219 890	172 641	32 251	204 892	(4 433 571)	(276 619)	(4 710 190)
Earnings/(loss)	**106 292**	**113 598**	**219 890**	**172 641**	**32 251**	**204 892**	**(4 433 571)**	**(276 619)**	**(4 710 190)**
Weighted average number of ordinary shares in issue			484 827 324			484 827 324			484 827 324
Basic earnings/(loss) per share (cents)	**21.9**	**23.4**	**45.4**	**35.6**	**6.7**	**42.3**	**(914.5)**	**(57.1)**	**(971.5)**
(b) **Headline earnings/(loss) per share**									
Profit/(loss) attributable to owners of the parent	106 292	113 598	219 890	172 641	32 251	204 892	(4 433 571)	(276 619)	(4 710 190)
Adjusted for:									
Net loss/(profit) on the sale of property, plant and equipment	1 077	–	1 077	(4 012)	13	(3 999)	(607)	6 449	5 842
Tax effect	(240)	–	(240)	500	(1)	499	172	(1 479)	(1 307)
Loss/(profit) on disposal of subsidiary	1 354	(107 036)	(105 682)	(19 557)	(580)	(20 137)	(17 355)	901	(16 454)
Tax effect	(379)	4 796	4 417	2 431	139	2 570	3 697	(123)	3 574
Goodwill, intangible asset and tangible asset (reversal of impairment)/impairment	(418)	–	(418)	–	–	–	4 195 379	303 614	4 498 993
Tax effect	117	–	117	–	–	–	(13 957)	–	(13 957)
(Reversal of impairment)/impairment of investment	(659)	–	(659)	–	–	–	1 971	–	1 971
Non-controlling interest portion allocation	271	–	271	–	–	–	(143)	–	(143)
Headline earnings/(loss)	**107 415**	**11 358**	**118 773**	**152 003**	**31 822**	**183 825**	**(264 414)**	**32 743**	**(231 671)**
Weighted average number of shares in issue			484 827 324			484 827 324			484 827 324
Headline earnings/(loss) per share (cents)	**22.2**	**2.3**	**24.5**	**31.4**	**6.6**	**37.9**	**(54.5)**	**6.8**	**(47.8)**

2. Earnings per share (continued)

(c) Normalised headline earnings per share PM

During the 2019 financial year, the group amended its accounting policy and definition of normalised headline earnings per share and normalised EBITDA, as follows:

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

Normalised headline earnings 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. The comparative information has been restated. Refer below for the detailed impact of the restated comparative information on earnings per share and refer to note 1 for the detailed impact on normalised EBITDA PM.

2. Earnings per share (continued)

	Six months ended 31 December 2019 R'000 Unaudited			Restated Six months ended 31 December 2018 R'000 Unaudited			Restated Year ended 30 June 2019 R'000 Unaudited		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Reconciliation of normalised headline earnings									
Headline earnings/(loss)	**107 415**	**11 358**	**118 773**	**152 003**	**31 822**	**183 825**	**(264 414)**	**32 743**	**(231 671)**
Adjusted for									
Acquisition of businesses [(1)]	617	–	617	526	–	526	14 494	–	14 494
Disposal of businesses	30 990	–	30 990	1 112	–	1 112	28 161	–	28 161
Debt/capital restructuring	40 166	–	40 166	33 511	–	33 511	83 590	–	83 590
Restructuring and retrenchment costs	2 401	–	2 401	666	4 394	5 060	20 632	(2 981)	17 651
Tax effect thereof	(11 462)	–	(11 462)	(165)	–	(165)	(24 876)	–	(24 876)
Normalised headline earnings/(loss)	**170 127**	**11 358**	**181 485**	**187 653**	**36 216**	**223 869**	**(142 413)**	**29 762**	**(112 651)**
Weighted average number of shares in issue			484 827 324			484 827 324			484 827 324
Normalised headline earnings/(loss) per share (cents)	**35.1**	**2.3**	**37.4**	**38.7**	**7.5**	**46.2**	**(29.4)**	**6.1**	**(23.2)**

[(1)] No business combination 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 period.

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 being the numerator.

2. Earnings per share (continued)

Impact of change in accounting policy on normalised earnings per share:

R'000	Previously reported Six months ended 31 December 2018 Continuing operations	Previously reported Six months ended 31 December 2018 Discontinued operations	Previously reported Six months ended 31 December 2018 Total	Restatement Six months ended 31 December 2018 Continuing operations	Restatement Six months ended 31 December 2018 Discontinued operations [1]	Restatement Six months ended 31 December 2018 Total	Restated Six months ended 31 December 2018 Continuing operations	Restated Six months ended 31 December 2018 Discontinued operations [1]	Restated Six months ended 31 December 2018 Total
Reconciliation of headline earnings									
Profit/(loss) attributable to owners of the parent	**221 630**	**(16 738)**	**204 892**	**(48 989)**	**48 989**	**–**	**172 641**	**32 251**	**204 892**
Adjusted for									
Net (profit)/loss on the sale of property, plant and equipment	(4 592)	–	(4 592)	580	13	593	(4 012)	13	(3 999)
Tax effect	–	–	–	500	(1)	499	500	(1)	499
(Profit)/loss on disposal of subsidiary	(19 557)	–	(19 557)	–	(580)	(580)	(19 557)	(580)	(20 137)
Tax effect	–	–	–	2 431	139	2 570	2 431	139	2 570
Tax effect thereof	3 002	–	3 002	(3 002)	–	(3 002)	–	–	–
Headline earnings/(loss)	**200 483**	**(16 738)**	**183 745**	**(48 480)**	**48 560**	**80**	**152 003**	**31 822**	**183 825**
Weighted average number of shares in issue			484 827 324			484 827 324			484 827 324
Headline earnings/(loss) per share (cents)	**41.4**	**(3.5)**	**37.9**	**(10.0)**	**10.0**	**0.0**	**31.4**	**6.6**	**37.9**

[1] The additional discontinued operations recognised in the current period resulted in the restatement of headline earnings.

2. Earnings per share (continued)

R'000	Previously reported Six months ended 31 December 2018 Continuing operations	Discontinued operations	Total	Restatement Six months ended 31 December 2018 Continuing operations	Discontinued operations [1]	Total [4]	Restated Six months ended 31 December 2018 Continuing operations	Discontinued operations [1]	Total
Reconciliation of normalised headline earnings									
Headline (loss)/earnings	**200 483**	**(16 738)**	**183 745**	**(48 480)**	**48 560**	**80**	**152 003**	**31 822**	**183 825**
Adjusted for									
Acquisition of businesses	526	–	526	–	–	–	526	–	526
Disposal of businesses	–	–	–	1 112	–	1 112	1 112	–	1 112
Debt/capital restructuring	–	–	–	33 511	–	33 511	33 511	–	33 511
Isando manufacturing operation loss [2]	20 754	–	20 754	(20 754)	–	(20 754)	–	–	–
Restructuring and retrenchment costs	39 684	–	39 684	(39 018)	4 394	(34 624)	666	4 394	5 060
Tax effect thereof	–	–	–	(165)	–	(165)	(165)	–	(165)
Amortisation [3]	102 581	–	102 581	(102 581)	–	(102 581)	–	–	–
Tax effect thereof	(12 751)	–	(12 751)	12 751	–	12 751	–	–	–
Normalised headline (loss)/earnings	**351 277**	**(16 738)**	**334 539**	**(163 624)**	**52 954**	**(110 670)**	**187 653**	**36 216**	**223 869**
Weighted average number of shares in issue			484 827 324			484 827 324			484 827 324
Normalised headline (loss)/earnings per share (cents)	**72.5**	**(3.5)**	**69.0**	**(33.8)**	**11.0**	**(22.8)**	**38.7**	**7.5**	**46.2**

[1] The additional discontinued operations recognised in the current period resulted in the restatement of normalised earnings.

[2] The Isando manufacturing operation loss is now included in continuing operations.

[3] Amortisation is no longer excluded from normalised earnings.

[4] The impact of the prior period errors after Headline earnings adjustments.

2. Earnings per share (continued)

Impact of change in accounting policy on normalised earnings per share:

	Previously reported Year ended 30 June 2019			Restatement Year ended 30 June 2019			Restated Year ended 30 June 2019		
R'000	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations [(1)]	Total	Continuing operations	Discontinued operations [(1)]	Total
Reconciliation of basic earnings									
(Loss)/profit attributable to owners of the parent	(4 765 271)	94 885	(4 670 386)	331 700	(371 504)	(39 804)	(4 433 571)	(276 619)	(4 710 190)
(Loss)/earnings	**(4 765 271)**	**94 885**	**(4 670 386)**	**331 700**	**(371 504)**	**(39 804)**	**(4 433 571)**	**(276 619)**	**(4 710 190)**
Weighted average number of ordinary shares in issue			484 827 324			484 827 324			484 827 324
Basic (loss)/ earnings per share (cents)	**(982.9)**	**19.6**	**(963.3)**	**68.4**	**(76.6)**	**(8.2)**	**(914.5)**	**(57.1)**	**(971.5)**
Reconciliation of headline earnings									
(Loss)/profit attributable to owners of the parent	**(4 765 271)**	**94 885**	**(4 670 386)**	**331 700**	**(371 504)**	**(39 804)**	**(4 433 571)**	**(276 619)**	**(4 710 190)**
Adjusted for									
Net (profit)/loss on the sale of property, plant and equipment	(1 067)	6 933	5 866	460	(484)	(24)	(607)	6 449	5 842
Tax effect	230	(1 543)	(1 313)	(58)	64	6	172	(1 479)	(1 307)
(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	–	–	–	4 195 379	303 614	4 498 993
Tax effect	(13 957)	–	(13 957)	–	–	–	(13 957)	–	(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)**	**332 102**	**(371 924)**	**(39 822)**	**(264 414)**	**32 743**	**(231 671)**
Weighted average number of shares in issue			484 827 324			484 827 324			484 827 324
Headline (loss)/earnings per share (cents)	**(123.0)**	**83.5**	**(39.6)**	**68.5**	**(76.7)**	**(8.2)**	**(54.5)**	**6.8**	**(47.8)**

2. Earnings per share (continued)

R'000	Previously reported Year ended 30 June 2019 Continuing operations	Previously reported Year ended 30 June 2019 Discontinued operations	Total	Restatement Year ended 30 June 2019 Continuing operations	Restatement Year ended 30 June 2019 Discontinued operations [1]	Total	Restated Year ended December Continuing operations	Restated Year ended December Discontinued operations [1]	Total
Reconciliation of normalised headline earnings									
Headline (loss)/earnings	**(596 516)**	**404 667**	**(191 849)**	**332 102**	**(371 924)**	**(39 822)**	**(264 414)**	**32 743**	**(231 671)**
Adjusted for									
Acquisition of businesses	4 876	9 618	14 494	9 618	(9 618)	–	14 494	–	14 494
Disposal of businesses	28 161	–	28 161	–	–	–	28 161	–	28 161
Debt/capital restructuring	83 590	–	83 590	–	–	–	83 590	–	83 590
Restructuring and retrenchment costs	20 632	(2 981)	17 651	–	–	–	20 632	(2 981)	17 651
Tax effect thereof	(24 876)	–	(24 876)	–	–	–	(24 876)	–	(24 876)
Normalised headline (loss)/earnings	**(484 133)**	**411 304**	**(72 829)**	**341 720**	**(381 542)**	**(39 822)**	**(142 413)**	**29 762**	**(112 651)**
Weighted average number of shares in issue			484 827 324			484 827 324			484 827 324
Normalised headline (loss)/earnings per share (cents)	**(99.9)**	**84.8**	**(15.0)**	**70.5**	**(78.7)**	**(8.2)**	**(29.4)**	**6.1**	**(23.2)**

[1] The additional discontinued operations recognised in the current period resulted in the restatement of normalised earnings.

3. Income tax expense

Major components of the tax expense	Six months ended 31 December 2019 Unaudited R'000	Restated [1] Six months ended 31 December 2018 Unaudited R'000	Restated [1] Year ended 30 June 2019 Unaudited R'000
South African Taxation			
Current Tax			
Current tax on profits for the period	17 976	25 352	86 460
Recognised in current tax for prior periods	1 244	7 565	10 873
	19 220	**32 917**	**97 333**
Deferred Tax			
Originating and reversing temporary differences	(5 131)	(16 824)	27 470
	(5 131)	**(16 824)**	**27 470**
South African income tax expense	**14 089**	**16 093**	**124 803**
Foreign Taxation			
Current Tax			
Current tax on profits for the period	11 892	23 928	60 442
Recognised in current tax for prior periods	-	13	(781)
	11 892	**23 941**	**59 661**
Deferred Tax			
Originating and reversing temporary differences	(5 780)	(3 700)	(11 920)
	(5 780)	**(3 700)**	**(11 920)**
Foreign income tax expense	**6 112**	**20 241**	**47 741**
Total income tax expense	**20 201**	**36 334**	**172 544**

[1] The comparatives have been restated due to the discontinued operations. Refer to note 10 for more details.

Income tax expense attributable to:			
Profit from continuing operations	13 437	26 446	136 135
Profit from discontinued operations	6 764	9 888	36 409
	20 201	**36 334**	**172 544**

3. Income tax expense (continued)

	Six months ended 31 December 2019 Unaudited	Restated (1) Six months ended 31 December 2018 Unaudited	Restated (1) Year ended 30 June 2019 Unaudited
Tax at the South Africa corporate tax rate	**28.00%**	**28.00%**	**28.00%**
Amortisation	1.21%	11.73%	(0.92%)
Impairment	0.18%	0.00%	(25.57%)
Disallowable charges - consulting / legal fees	0.26%	0.03%	(0.08%)
Disallowable charges - donations / sponsorships	2.42%	0.03%	(0.15%)
Effect of prior year	0.12%	(1.02%)	0.32%
Fines and penalties	0.01%	0.41%	(0.09%)
(Utilisation of)/ increase in tax losses	(18.60%)	6.54%	(1.34%)
Local tax incentives	(2.13%)	(0.22%)	0.06%
Foreign tax incentives	(0.62%)	(0.10%)	0.11%
Differences in tax rates	(4.80%)	(2.09%)	0.23%
Capital gain	0.00%	0.00%	(0.21%)
Non-trading entities expenditure	3.11%	0.00%	(3.11%)
Other disallowable charges	4.15%	2.68%	(1.11%)
Other exempt income	(0.49%)	(33.67%)	0.68%
Average effective tax rate	**12.82%**	**12.32%**	**(3.18%)**

(1) The comparatives have been restated due to the discontinued operations. Refer to Note 10 for more details.

4. Intangible assets and goodwill

Intangible assets and goodwill
31 December 2019

R'000	Goodwill	Brands and trademarks	Licence and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance								
Cost	5 034 644	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)	-	(359 161)	(35 517)	(694 125)	(4 723 468)
Carrying value as at 30 June 2019 (restated, unaudited)	**2 508 247**	**875 579**	**11 396**	**-**	**751 814**	**202 152**	**986 141**	**5 335 329**
Additions	-	11 311	3 523	1 801	-	-	28 570	45 205
Disposals	-	(1)	(18)	-	-	-	-	(19)
Transfers between categories	-	133	(133)	-	-	-	-	-
Transfers (to)/from discontinued operation	-	(351)	(23)	(1 801)	(6 487)	-	17 449	8 787
Transfer to property, plant and equipment	-	-	(213)	-	-	-	-	(213)
Amortisation	-	(37 086)	(2 002)	-	(21 229)	(7 771)	(20 762)	(88 850)
Exchange rate differences	(25 027)	(9 747)	(65)	-	(9 662)	(994)	(20 717)	(66 212)
Carrying value as at 31 December 2019	**2 483 220**	**839 838**	**12 465**	**-**	**714 436**	**193 387**	**990 680**	**5 234 027**
Made up as follows:								
Cost	4 993 514	1 920 261	60 066	-	1 102 194	236 551	1 687 334	9 999 920
Accumulated amortisation and impairment	(2 510 294)	(1 080 423)	(47 601)	-	(387 758)	(43 164)	(696 654)	(4 765 893)
Carrying value as at 31 December 2019	**2 483 220**	**839 838**	**12 465**	**-**	**714 436**	**193 387**	**990 680**	**5 234 027**

4. Intangible assets and goodwill (continued)

Intangible assets and goodwill
31 December 2018

R'000	Goodwill	Brands and trademarks	Licence and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance								
Cost	5 496 124	2 209 556	55 901	24 651	1 068 389	335 107	1 241 242	10 430 970
Accumulated amortisation and impairment	(134 614)	(145 904)	(22 895)	-	(194 327)	(21 687)	(77 796)	(597 223)
Carrying value as at 30 June 2018 as previously reported (audited)	**5 361 510**	**2 063 652**	**33 006**	**24 651**	**874 062**	**313 420**	**1 163 446**	**9 833 747**
Reclassification [1]								
Cost	(149 629)	(185 797)	5 441	(15 007)	117 256	(97 267)	360 651	35 648
Accumulated amortisation and impairment	-	(11 874)	(436)	-	8 867	1 717	(33 922)	(35 648)
Restated opening balance								
Cost	5 346 495	2 023 760	61 342	9 644	1 185 645	237 840	1 601 893	10 466 619
Accumulated amortisation and impairment	(134 614)	(157 779)	(23 331)	-	(185 460)	(19 970)	(111 718)	(632 872)
Restated carrying value as at 30 June 2018 (audited)	**5 211 881**	**1 865 981**	**38 011**	**9 644**	**1 000 185**	**217 870**	**1 490 175**	**9 833 747**
Additions	-	7 128	6 078	1 478	130	-	79 832	94 646
Disposals	-	(43)	-	-	-	-	(3 518)	(3 561)
Transfers between categories	-	8 427	(3 972)	-	-	-	(4 455)	-
Transfers from discontinued operation	4 944	1 750	-	-	3 846	-	-	10 540
Amortisation	-	(36 832)	(6 204)	-	(37 120)	(4 920)	(17 505)	(102 581)
Exchange rate differences	89 732	55 858	1 193	22	16 400	-	33 790	196 995
Carrying value as at 31 December 2018 (unaudited)	**5 306 557**	**1 902 269**	**35 106**	**11 144**	**983 441**	**212 950**	**1 578 319**	**10 029 785**
Made up as follows:								
Cost	5 441 177	2 096 788	68 941	11 144	1 209 267	237 840	1 708 709	10 773 866
Accumulated amortisation and impairment	(134 620)	(194 519)	(33 836)	-	(225 826)	(24 890)	(130 390)	(744 081)
Carrying value as at 31 December 2018 (unaudited)	**5 306 557**	**1 902 269**	**35 105**	**11 144**	**983 441**	**212 950**	**1 578 319**	**10 029 785**

[1] The opening balances have been restated. Please refer to the restatement note for more details.

4. Intangible assets and goodwill (continued)

Intangible assets and goodwill
30 June 2019

R'000	Goodwill	Brands and trademarks	Licence and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance								
Cost	5 346 495	2 023 760	61 342	9 644	1 185 645	237 840	1 601 892	10 466 618
Accumulated amortisation and impairment	(134 614)	(157 779)	(23 331)	-	(185 460)	(19 970)	(111 717)	(632 871)
Carrying value as at 30 June 2018 (audited)	**5 211 881**	**1 865 981**	**38 011**	**9 644**	**1 000 185**	**217 870**	**1 490 175**	**9 833 747**
Additions	-	21 149	12 178	3 284	-	556	97 529	134 696
Disposals	-	(800)	(585)	-	(141)	-	(1 511)	(3 037)
Transfers between categories	-	(293)	(5 305)	70	17 893	1 224	(13 589)	-
Transfers to discontinued operation	(279 118)	(82 087)	(4 335)	(13 039)	(39 438)	(1 557)	(26 502)	(446 076)
Transfer from property, plant and equipment	-	-	686	-	-	-	-	686
Amortisation	-	(72 369)	(10 614)	-	(55 182)	(15 887)	(23 866)	(177 918)
Impairment	(2 458 076)	(877 061)	(19 449)	-	(173 071)	-	(545 749)	(4 073 406)
Exchange rate differences	33 560	21 059	809	41	1 568	(54)	9 654	66 637
Carrying value as at 30 June 2019 (restated, unaudited)	**2 508 247**	**875 579**	**11 396**	**-**	**751 814**	**202 152**	**986 141**	**5 335 329**
Made up as follows:								
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)	-	(359 161)	(35 517)	(694 125)	(4 723 468)
Carrying value as at 30 June 2019 (restated, unaudited)	**2 508 247**	**875 579**	**11 396**	**-**	**751 814**	**202 152**	**986 141**	**5 335 329**

4. Intangible assets and goodwill (continued)

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

Reconciliation of Goodwill 31 December 2019 Unaudited R'000	Opening balance	Impairment	Transfer from/ (to) discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa	177 204	-	-	-	177 204
Sun Wave	93 819	-	-	(2 743)	91 076
Remedica	1 611 929	-	-	(22 284)	1 589 645
Medical	321 531	-	-	-	321 531
Animal Health	303 764	-	-	-	303 764
Total	**2 508 247**	**-**	**-**	**(25 027)**	**2 483 220**

Reconciliation of Goodwill 31 December 2018 Restated Unaudited R'000	Opening balance	Impairment	Transfer from/ (to) discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa	331 302	-	4 944	-	336 246
Scitec	1 283 585	-	-	36 737	1 320 322
Sun Wave	95 210	-	-	3 004	98 214
Pharma Africa	426 806	-	-	-	426 806
Remedica	1 615 617	-	-	45 970	1 661 587
Farmalider	140 497	-	-	4 021	144 518
Medical	545 100	-	-	-	545 100
Animal Health	474 780	-	-	-	474 780
Biosciences	298 984	-	-	-	298 984
Total	**5 211 881**	**-**	**4 944**	**89 732**	**5 306 557**

Reconciliation of Goodwill 30 June 2019 Restated Unaudited R'000	Opening balance	Impairment	Transfer from/ (to) discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa	331 302	(173 865)	19 767	-	177 204
Scitec	1 283 585	(1 318 413)	-	34 828	-
Sun Wave	95 210	-	-	(1 391)	93 819
Pharma Africa	426 806	(426 806)	-	-	-
Remedica	1 615 617	-	-	(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**

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

4. Intangible assets and goodwill (continued)

Impairment tests for goodwill

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

The group's share price has decreased significantly over the past 6 months resulting in an impairment indication. The group performed impairments assessments on all goodwill balances as at 31 December 2019 and no further impairments were required to be recognised.

5. Borrowings and other financial liabilities

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 arranged, administered and underwritten by ABSA Bank Ltd and HSBC Bank Plc. The structure consists of a syndicated facility including a bridge loan denominated in local currency (ZAR) and Euro term, revolving credit facilities and other foreign bi-lateral facilities. In terms of the existing debt structure, the total facilities drawn down amounts to R1 656.9 million and €225.8 million (30 June 2019: R2 039.8 million and €224.5 million).

EUR denominated facilities

The group has a secured Euro term facility with a balance outstanding of €158.9 million which matures in August 2021 as well as a €46.2 million revolving credit facility which was fully drawn as at 31 December 2019. The debt balance consists of the ZAR translated amount of R2 501.6 million net of debt capitalisation costs of R15.3 million. Capital repayments commenced on 30 June 2017 on a bi-annual basis. Interest is charged at 4% per annum and is repayable quarterly. There are bi-lateral revolving credit facilities of €7.5 million maturing in August 2021 as well as overdraft facilities with a balance outstanding of €7 million within the European subsidiaries.

ZAR denominated facilities

The secured syndicated facility consists of two term loans with balances outstanding of R851.1 million and R493.8 million as at year end. The R851.1 million facility matures in 2021 with the full capital amount due at maturity date. Interest is charged at JIBAR plus 4.2% per annum and is payable quarterly. The R493.8 million facility is payable bi-annually with a maturation date of December 2020. Interest is charged at JIBAR plus 3.75% per annum and is payable quarterly. Included with this balance are debt capitalisation fees of R28.1 million. The group has a revolving credit facility of R395 million with a balance outstanding of R332.9 million as at 31 December 2019. Additional facilities relating to letters of credit, performance guarantees and debtors factoring exist.

This secured syndicated facility is subject to financial covenants based on key financial ratios. For the year ended 31 December 2019 the lenders required that the group maintain a normalised leverage ratio below 3.75 (2018: 4.0), a minimum of 1.2 (2018: 1.2) cash cover ratio and a minimum 3.0 (2018: 3.0) interest cover ratio.

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

5. Borrowings and other financial liabilities (continued)

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

	Six months ended 31 December 2019 Unaudited R'000	Restated Six months ended 31 December 2018 Unaudited R'000	Restated Year ended 30 June 2019 Unaudited R'000
Secured borrowings and other financial liabilities			
Cyprus loan facility	139 872	145 451	164 523
Total secured	**139 872**	**145 451**	**164 523**
Unsecured borrowings and other financial liabilities			
Term loan - South Africa debt	1 295 085	1 308 235	1 311 938
Term loan - European debt	2 514 435	2 667 830	2 583 017
Revolving credit facility	726 654	769 405	759 299
Bank loan - Spain	186 409	132 203	158 303
Short-term loans with financial institutions	340 600	372 000	332 929
Bridging term loan	-	-	360 397
Other South African borrowings	607	74 544	889
Other European borrowings	-	48 636	-
Total unsecured	**5 063 790**	**5 372 853**	**5 506 772**
Total borrowings and other financial liabilities	**5 203 662**	**5 518 304**	**5 671 295**
The split between current and non-current borrowings and other financial liabilities			
Non-current	57 319	4 479 573	54 704
Current liabilities	5 146 343	1 038 731	5 616 591
	5 203 662	**5 518 304**	**5 671 295**

6. Deferred vendor liabilities

	Six months ended 31 December 2019 Unaudited R'000	Six months ended 31 December 2018 Unaudited R'000	Restated Year ended 30 June 2019 Unaudited R'000
Remedica Group	637 082	643 190	634 965
Sun Wave Pharma Group	296 705	286 165	282 507
Klub M5 Proprietary Limited	34 499	55 000	34 499
Umecom Proprietary Limited	-	2 874	-
Kyron Group	99 301	128 951	99 301
	1 067 587	**1 116 180**	**1 051 272**
Current	911 998	937 169	896 798
Non-current	155 589	179 011	154 474
	1 067 587	**1 116 180**	**1 051 272**
Deferred consideration	637 082	646 065	733 704
Contingent consideration	430 505	470 115	317 568
	1 067 587	**1 116 180**	**1 051 272**

During the period under review, no deferred vendor payments were made. Refer to the going concern disclosure for further details. Due to non-payment of deferred vendors during the period under review, the previous owners of Sun Wave have instituted penalty interest of €0.9 million (R14.5 million).

7. Cash generated from operations

	Six months ended 31 December 2018 Unaudited R'000	Restated Six months ended 31 December 2018 Unaudited R'000	Restated Year ended 30 June 2019 Unaudited R'000
Profit/(loss) after tax from continuing operations	**91 357**	**188 138**	**(4 422 992)**
Adjustments for:			
Tax from continuing operations	13 437	26 446	136 135
Depreciation and amortisation	186 082	155 601	316 446
Impairment of intangible assets	-	-	4 073 019
(Reversal of impairment)/Impairment of property, plant and equipment	(418)	-	122 360
(Reversal of impairment)/Impairment of investment accounted for using the equity method	(659)	-	1 971
Net loss/(profit) on sale of assets	1 077	(4 236)	(819)
Net loss/(profit) on disposal of subsidiary	1 354	(19 557)	(17 143)
Net profit on foreign exchange	23 949	3 412	5 418
Put-option remeasurement	-	-	(1 700)
Fair value measurement of financial assets and liabilities	-	-	13 953
Provisions and contract liability raised	(7 147)	(36 985)	46 513
Net movement in trade and other receivables provisions	3 274	-	25 442
Obsolete stock allowance	-	-	79 953
Finance income	(3 792)	(4 384)	(4 272)
Finance expense	251 253	208 531	407 497
Remeasurement of deferred vendor liabilities	-	-	(35 911)
Long term incentive adjustment	(1 453)	1 152	(10 653)
Unwinding of capitalised borrowing costs	13 701	-	26 985
Impairment of other financial assets	-	-	17 650
Changes in working capital:			
Inventories	(83 328)	(194 133)	(283 895)
Trade and other receivables	(353 142)	(85 874)	(366 143)
Trade and other payables	95 422	255 990	475 496
Provisions	(11 117)	-	(61 266)
Cash generated from operations	**219 850**	**494 101**	**544 044**

8. Dividends paid

The directors have elected not to declare an interim dividend and to retain cash to fund working capital requirements and settle debt obligations.

9. Tax paid

	Six months ended 31 December 2019 Unaudited R'000	Restated Six months ended 31 December 2018 Unaudited R'000	Restated Year ended 30 June 2019 Unaudited R'000
Balance at the beginning of the period	(44 766)	20 410	20 410
Current tax for the year recognised in profit or loss	(21 593)	(31 047)	(91 754)
Disposal of a subsidiary	3 164	-	921
Transfer to discontinued operations	4 327	(7 291)	(17 850)
Foreign exchange differences	264	(383)	811
Balance at the end of the period	2 059	(43 193)	44 766
Current tax receivable	(87 536)	(128 752)	(79 197)
Current tax payable	89 595	85 559	123 963
Tax paid	**(56 545)**	**(61 504)**	**(42 696)**

10. Discontinued operations

10.1 Discontinued Operations

The following operations are classified as discontinued operations in the current period:

Biosciences

As part of the new strategy, the group announced in September 2018 that the Biosciences business was considered as non-core to the group's strategy and was identified for divestment. The total Biosciences segment is to be disposed in a single plan, however the transaction was split into two tranches. Tranche 1 of the transaction was concluded on 31 July 2019, refer to note 11 for further details with regards to the disposal. Tranche 2 of the transaction is expected to be finalised within the next 12 months.

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

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. A number of sale-purchase agreements were concluded with potential buyers during the past 18 months. However, the transactions did not materialise and negotiations are continuing with another potential buyer. AD is still classified as a discontinued operation and held for sale as at 31 December 2019. The transaction is expected to be finalised within the next 12 months.

10. Discontinued operations (continued)

The following operation was classified as a discontinued operation in the prior period:

Ascendis Sports Nutrition

Following a review of the Sports Nutrition business, the group decided to focus solely on its biggest sports nutrition brand, Scitec, in targeted consumer segments and geographic. The group concluded the sale of the business, which includes Evox, SSN, Supashape, Muscle Junkie and Nutrimax, effective 1 August 2018.

During 2019, the Sports Nutrition business was sold for a consideration of R54 million, a loss on sale of R0.5 million was recognised in the 2019 statement of profit or loss.

10.2 Held for sale

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

Isando manufacturing

The group disposed the Isando manufacturing operations and its 23 000m2 GMP pharmaceutical manufacturing facility. The manufacturing facility was acquired through the group's purchase of Akacia Healthcare during June 2016 financial period. The facility was disposed on 20 December 2018 for a consideration of R130 million and a profit of sale of R19.6 million was recognised in the 2019 statement of profit or loss.

10.3 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. Due to circumstances beyond the group's control, the negotiations were terminated during the final stages in December 2019 and the Board does not expect to enter into new negotiations in the near future. As a result, the business ceases to be classified as a discontinued operation and held for sale in the period under review. June 2019 amounts have been represented in terms of the requirements of IFRS 5.

10. Discontinued operations (continued)

	Six months ended 31 December 2019 Unaudited R'000			Restated (1) Six months ended 31 December 2018 Unaudited R'000				Restated (2) Year ended 30 June 2019 Unaudited R'000			
R'000	**Bio-sciences**	**Ascendis Direct**	**Total**	**Bio-sciences**	**Ascendis Direct**	**Ascendis Sport Nutrition**	**Total**	**Bio-sciences**	**Ascendis Direct**	**Ascendis Sport Nutrition**	**Total**
Revenue	212 071	39 775	251 846	497 088	46 787	3 077	546 952	856 553	81 017	428	937 998
Expenses	(61 830)	(45 460)	(107 290)	(440 892)	(51 648)	(12 273)	(504 813)	(762 774)	(89 833)	(21 750)	(874 357)
Profit/(loss) before impairments	150 241	(5 685)	144 556	56 196	(4 861)	(9 196)	42 139	93 779	(8 816)	(21 322)	63 641
Impairments of assets (3)	-	(24 194)	(24 194)	-	-	-	-	(254 582)	(39 143)	(10 126)	(303 851)
Profit/(loss) before tax	**150 241**	**(29 879)**	**120 362**	**56 196**	**(4 861)**	**(9 196)**	**42 139**	**(160 803)**	**(47 959)**	**(31 448)**	**(240 210)**
Tax	(2 784)	(3 980)	(6 764)	(7 207)	(2 681)	-	(9 888)	(31 337)	(594)	(4 478)	(36 409)
Profit/(loss) after income tax expense of discontinued operation	**147 457**	**(33 859)**	**113 598**	**48 989**	**(7 542)**	**(9 196)**	**32 251**	**(192 140)**	**(48 553)**	**(35 926)**	**(276 619)**
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	**147 457**	**(33 859)**	**113 598**	**48 989**	**(7 542)**	**(9 196)**	**32 251**	**(192 140)**	**(48 553)**	**(35 926)**	**(276 619)**
Net cash flow from operating activities	(6 997)	3 388	(3 609)	8 490	(2 647)	(10 070)	(4 227)	33 357	25 678	(21 662)	37 373
Net cash flow from investing activities	(4 718)	(262)	(4 980)	(21 033)	(6 380)	(1 495)	(28 908)	(22 845)	(4 238)	(2 294)	(29 377)
Net cash flow from financing activities	(977)	-	(977)	(6)	6 097	1 588	7 679	-	(537)	-	(537)
Net (decrease)/increase in cash generated by discontinued operations	**(12 692)**	**3 126**	**(9 566)**	**(12 549)**	**(2 930)**	**(9 977)**	**(25 456)**	**10 512**	**20 903**	**(23 956)**	**7 459**

(1) 31 December 2018 amounts have been restated to take into account the Biosciences division which has been classified as a discontinued operation in terms of IFRS 5.

(2) 30 June 2019 have been restated to reflect the change in plan to sell Remedica which ceases to be a discontinued operation in terms of the requirements of IFRS 5.

(3) The carrying value of direct selling was higher than the fair value less costs to sell in terms of the requirements of IFRS 5. The discontinued operations was impaired by R24.2 million.

10. Discontinued operations (continued)

Assets and liabilities classified as held for sale

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

	Six months ended 31 December 2019 Unaudited R'000			Six months ended 31 December 2018 Unaudited R'000			Restated [1] Year ended 30 June 2019 Unaudited R'000		
R'000	**Biosciences**	**Ascendis Direct**	**Total**	**Isando**	**Ascendis Direct**	**Total**	**Biosciences**	**Ascendis Direct**	**Total**
Property, plant and equipment	5 969	64	6 033	1 496	5 632	7 128	42 304	-	42 304
Intangible assets & Goodwill	74 548	-	74 548	-	48 450	48 450	254 205	-	254 205
Right-of-use asset	11 416	1 002	12 418	-	-	-	-	-	-
Deferred tax asset	7 487	3 251	10 738	711	2 136	2 847	12 452	3 148	15 600
Inventories	91 026	1 552	92 578	20 875	14 287	35 162	166 197	8 440	174 637
Current income tax receivable	2 695	839	3 534	96	839	935	2 581	839	3 420
Trade and other receivables	62 532	5 185	67 717	3 192	27 643	30 835	138 141	13 985	152 126
Cash and cash equivalents	10 636	1 439	12 075	-	4 718	4 718	44 828	11 636	56 464
Other financial assets	262	-	262	-	-	-	289	4	293
Assets held for sale	**266 571**	**13 332**	**279 903**	**26 370**	**103 705**	**130 075**	**660 997**	**38 052**	**699 049**
Borrowings	(197)	-	(197)	-	-	-	(197)	-	(197)
Finance lease liabilities	(10 516)	(3 595)	(14 111)	-	-	-	-	-	-
Deferred tax liability	(17 162)	(1 153)	(18 315)	(15 846)	(1 130)	(16 976)	(32 775)	(907)	(33 682)
Trade and other payables	(63 776)	(4 352)	(68 128)	(1 977)	(6 503)	(8 480)	(121 479)	(5 688)	(127 167)
Provisions	(5 661)	(1 193)	(6 854)	(950)	(1 776)	(2 726)	(8 509)	(1 616)	(10 125)
Current Income tax payable	(1 142)	(3 039)	(4 181)	-	(2 039)	(2 039)	(2 548)	(841)	(3 389)
Liabilities held for sale	**(98 454)**	**(13 332)**	**(111 786)**	**(18 773)**	**(11 448)**	**(30 221)**	**(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 in terms of the requirements of IFRS 5.

10. Discontinued operations (continued)

Due to the change of plan to sell Remedica, June 2019 amounts have been represented in order to reflect Remedica as a continuing operation.The representation has the following change to the June 2019 reported financial information:

Statement of Profit and Loss	2019 R'000
Revenue	1 543 270
Expenses	(1 198 423)
Income tax	(13 146)
Net Impact	**331 701**

Statement of Financial Position	2019 R'000
Property, plant and equipment	563 440
Intangible assets and goodwill	2 934 290
Current income tax receivable	13 715
Other financial assets	583
Inventories	423 893
Trade and other receivables	710 316
Cash and cash equivalents	171 629
Total assets	**4 817 866**
Retained earnings	(39 804)
Borrowings	(164 524)
Deferred vendor liability	(634 966)
Deferred tax liability	(153 278)
Trade and other payables	(394 773)
Provisions	(10 054)
Bank overdraft	(39 531)
Total equity and liabilities	**(1 436 930)**
Net Impact	**3 380 936**

11. Disposal of subsidiaries

During the current period, the group sold its investment in the following subsidiaries or businesses as part of Tranche 1 of the Biosciences disposal transaction:

- Efekto Care (Pty) Ltd;
- 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.

11. Disposal of subsidiaries (continued)

The disposal was concluded on 31 July 2019 where 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:

	Six months ended 31 December 2019 Unaudited 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**
Finance 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 disposal	**423 996**

12. Related parties

There have been no significant changes to the related parties and related party transactions as disclosed in the June 2019 annual financial statements.

13. Liabilities from financing activities

31 December 2019 R'000	Liabilties from financing activities Borrowings	Financial lease liabilities	Other Deferred vendor liabilities*
Closing balance as at 30 June 2019 (restated, unaudited)	5 671 295	31 442	416 306
Opening balance adjustments - IFRS 16	-	227 058	-
Restated opening balance as at 1 July 2019	5 671 295	258 500	416 306
Cash flows	(436 714)	(39 867)	-
New loans raised	106 452	-	-
Capital repayments made	(543 166)	(39 867)	-
Non cash movements	(30 918)	99 681	651 281
New loans raised	-	110 740	-
Foreign exchange adjustments	(48 879)	(2 229)	(4 930)
Interest capitalised	16 923	16 165	30 023
Transfer from/(to) discontinued operations	-	(24 995)	626 188
Other non cash movements	1 038	-	-
Closing balance as at 31 December 2019 (unaudited)	**5 203 663**	**318 314**	**1 067 587**

31 December 2018 R'000	Liabilties from financing activities Borrowings	Financial lease liabilities	Other Deferred vendor liabilties*
Closing balance as at 30 June 2018 (audited)	5 493 410	42 075	1 299 355
Cash flows	(64 725)	(5 224)	(228 219)
New loans raised	214 223	6 190	-
Capital repayments made	(278 948)	(11 414)	(228 219)
Non cash movements	89 619	884	45 044
Foreign exchange adjustments	108 505	808	23 640
Interest capitalised	2 825	-	21 404
Other non cash movements	(21 711)	76	-
Closing balance as at 31 December 2018 (unaudited)	**5 518 304**	**37 735**	**1 116 180**

* The group notes that the cash flows from deferred vendor liabilties are included as investing actitivies in the cash flow statement, however this information is considered to be useful to the users of the financial statements, since deferred vendor liabitities are included in the group's net debt position and is therefore included in the above disclosure.

14. Changes in accounting policies

The group has adopted IFRS 16 as issued by the International Accounting Standard Board (IASB), which were effective for the group from 1 July 2019.

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.

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:

	31 December 2019 Unaudited R'000	**1 July 2019 [1] Unaudited R'000**
Buildings	233 240	188 857
Plant and machinery	37 699	29 268
Motor vehicles	27 710	28 624
Office equipment	1 312	2 365
Total right-of-use assets	**299 961**	**249 114**

[1] The balance as at 1 July 2019 consists of R210.6 million right-of-use asset recognised from previously recognised operating leases and R38.5 million right-of-use asset recognised from previously recognised finance leases.

14. Changes in accounting policies (continued)

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.

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 reasonable 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.

14. Changes in accounting policies (continued)

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.

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.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- 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.

14. Changes in accounting policies (continued)

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 Unaudited R'000
Property, plant and equipment	(38 531)
Right-of-use asset	249 114
Total assets	**210 583**
Lease liabilities	230 614
Trade and other payables	(20 031)
Total liabilities	**210 583**

The right-of-use asset recognised on 1 July 2019 relate to the following operating segments:

	1 July 2019 Unaudited R'000
Consumer Health	115 316
Africa	24 670
Scitec	66 316
Sunwave	24 330
Pharma	46 047
Farmalider	46 047
Medical	11 480
Animal Health	11 299
Biosciences	23 254
Head office	41 718
Right-of-use assets	**249 114**

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:

14. Changes in accounting policies (continued)

	1 July 2019 Unaudited R'000
Operating lease commitments disclosed as at 30 June 2019	141 240
Discounted using the incremental borrowing rate at 1 July 2019 (Including extension options reasonably certain to be exercised)	57 932
Finance lease liability recognised as at 30 June 2019	31 442
Lease liabilities recognised as at 1 July 2019	**230 614**

15. Contingent Liabilities

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

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

The previous owners of Klub M5 are claiming that Klub M5 still owes them as per the agreement an amount of R34.3 million. Klub M5 has a counter claim against the previous owners of overpayment/indebtedness of R31.5 million. There is currently an arbitration regarding this matter, although the probability of the outcome cannot be estimated at this stage. There is a risk that the claim against Klub M5 is successful and that the company will be liable to pay the previous owners, or the counter claim may be successful and Klub M5 will receive the abovementioned counter claim amount.

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

The group is currently involved in various other disputes and is 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.

16. Events after reporting period

Update to standstill agreement

The original standstill agreement, dated 3 May 2019 has been amended and restated in February 2020. The repayment of capital on the group's senior debt facilities have been postponed to 15 May 2020 and no deferred vendor liability may be settled before 15 May 2020.

Remedica deferred vendor payable

There is €40 million which is due and payable to the Remedica deferred vendor. However, the standstill agreement which is currently in place with the lenders has terms and conditions prohibiting payment of any capital on the group's senior debt facilities and deferred vendor liabilities. Ascendis has subsequently successfully solicited a new financing agreement, to the value of €40 million, to settle the deferred vendor liability. There is on-going contract negotiations with the current lenders to sanction the new loan to payment of the deferred vendor. The failure to pay the deferred vendor may result in litigation over the assets of Ascendis Health.

Farmalider put option

The put and call option expired with effect 31 January 2020 as neither Ascendis nor the Farmalider vendors elected to exercise its rights as prescribed in the addendum to the original option agreement entered into on 26 March 2019. As such, Ascendis continues to be a 49% controlling shareholder of Farmalider with the existing shareholders agreement remaining in place that provides Ascendis with strong minority protection rights.

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
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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	A Sims CA (SA) andy.sims@ascendishealth.com
Directors	AB Marshall (Chairman)* B Harie# MS Bomela* Dr KS Pather* Dr NY Jekwa* J Sebulela* MJ Sardi (CEO)^ K Futter (CFO) ** Independent non-executive* *# Lead independent non-executive* *^ Appointed 14 October 2019*

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