



**Ascendis**  
HEALTH LIMITED

# Group Annual Financial Statements

For the year ended 30 June 2023





## Contents

Group company secretary's certification	1
Directors' responsibilities and approval	2
CEO and FD's certification	3
Independent auditor's report	4 - 9
Audit committee report	10 - 15
Directors' report	16 - 21
Group statement of profit or loss and comprehensive income	22 - 23
Group statement of financial position	24
Group statement of changes in equity	25
Group cash flow statement	26
Notes to the group annual financial statements	27 - 101
Company annual financial statements	102 - 121
Appendix A: Interests in subsidiaries	122 - 123
Appendix B: Shareholders' information	124
Administration	125 - 126

# Group company secretary's certification

## Declaration by the group company secretary in respect of Section 88(2)(e) of the Companies Act 71 of 2008, as amended ("Companies Act")

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that, to the best of my knowledge, for the year ended 30 June 2023, Ascendis Health Limited and its subsidiaries have lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



Joseph Fine (B Soc Sci LLB)  
*Group company secretary*  
Johannesburg  
29 September 2023

# Directors' responsibilities and approval

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

The directors consider that in preparing the group annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards (IFRS) considered applicable have been followed. The directors also consider compliance with the Companies Act of South Africa.

The directors are satisfied that the information contained in the group annual financial statements fairly present the results of operations for the year and the financial position of the group at year end. The directors also prepared the other information included in the Integrated Annual Report and are responsible for both its accuracy and its consistency with the group annual financial statements and company financial statements. The directors are responsible for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the group to enable the directors to ensure that the group annual financial statements comply with the relevant legislation.

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

Ascendis and its subsidiaries operate in a sound control environment, which is regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are controlled. Management provides comfort to the audit and risk committee and the board of directors that the systems of risk management and internal control as designed are adequate and effective. The Ascendis Code of Conduct has been adhered to during the year.

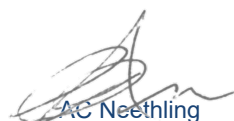
The board is also responsible for the controls over, and the security of the Company's website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission, assuring that reports disseminated electronically agree with the signed off reports.

The board is satisfied that the company and group, and all companies within the group, are and will be able to continue as a going concern (except for the group companies that are in the process of deregistration) in the foreseeable future and has therefore continued to adopt the going concern basis in preparing the group annual financial statements. As at the date of this report, Surgical Innovations remains in business rescue (refer to note 1) and the board has duly considered the impact thereof in reaching its conclusion that the group is a going concern. Refer to detailed information on the going concern assumption in the audit and risk committee report on page 10, directors' report on page 16 and accounting policy note on page 27.

The group's external auditor, Nexia SAB&T, audited the group and company annual financial statements and its report is presented on pages 4 to 9. The group and company annual financial statements, as set out on pages 16 to 126, were prepared under the supervision of the chief financial officer, AC Neethling CA (SA) and approved for issue by the board on 29 September 2023 and are signed on its behalf by:



B Harie  
*Independent non-executive  
chairman  
Johannesburg  
29 September 2023*



AC Neethling  
*Chief executive officer  
and acting chief financial officer  
Johannesburg  
29 September 2023*

# CEO and FD's Responsibility Statement

In line with paragraph 3.84(k) of the JSE Limited ("JSE") Listings Requirements ("JSE Listing Requirements"), the chief executive officer (CEO) and acting chief financial officer (and financial director) hereby confirm after due, careful and proper consideration that:

- a. The annual financial statements set out in pages 16 to 126, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- b. To the best of my knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- c. Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- d. the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled my role and function as executive director with primary responsibility for implementation and execution of controls
- e. where I am not satisfied, I have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- f. I am not aware of any fraud involving directors.



AC Neethling

*Chief executive officer and acting chief financial officer*

Johannesburg

29 September 2023

# Independent auditor's report

## *Independent auditor's report*

To the Shareholders of Ascendis Health Limited

## *Report on the audit of the consolidated and separate financial statements*

### **Opinion**

We have audited the consolidated and separate financial statements of Ascendis Health Limited and its subsidiaries (the group and company) set out on pages 22 to 124, which comprise the consolidated and separate statements of financial position as at 30 June 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Ascendis Health Limited and its subsidiaries (the group and company) as at 30 June 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

# Independent auditor's report

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Presentation and disclosure of discontinued operations</b></p> <p>Ascendis Pharma Holdings (Pty) Ltd and its subsidiaries (“Ascendis Pharma”) business was classified as held-for sale and a discontinued operation on 1 December 2021, resulting in the presentation and disclosure of Ascendis Pharma as held-for-sale and a discontinued operation in the financial year ending 30 June 2022.</p> <p>During the current year the Group concluded the disposals of the Ascendis Pharma by 31 October 2022.</p> <p>The criteria for presentation and disclosure of a component of an entity as a discontinued operation is regarded as being met when the component that has been disposed of, or is classified as held for sale, represents a separate major line of business, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.</p> <p>Significant judgement is required in determining whether to present and disclose a component of an entity as discontinued operation.</p> <p>We considered the overall presentation and disclosure of components representing separate lines of business as a discontinued operation to be a matter of most significance to the current year audit due to the significant judgement applied in the assessment and the pervasive affect the presentation and disclosure has on the Group results.</p> <p>Refer to the following notes to the consolidated financial statements for details:</p> <ul style="list-style-type: none"> <li>• Note 4 – Discontinued operations; and</li> <li>• Note 5 – Disposal of Subsidiaries.</li> </ul>	<p>Our audit procedures included an evaluation of management’s conclusion on the presentation and disclosure of the component as a discontinued operation in terms of IFRS 5, which includes the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the transactions through inspection of all contracts and agreements relating to the disposal of the Ascendis Pharma division. This understanding included an understanding of the effective contract dates, associated proceeds and transaction costs for the transactions.</li> <li>• We recalculated the profit/loss on disposal of these subsidiaries (concluded disposals) based on the disposal consideration received less the net asset values of the respective subsidiaries as derecognised on date of disposal.</li> <li>• We agreed the gross selling prices and adjustments to the selling prices noted on the signed contracts and management calculations.</li> <li>• We reviewed the nature and extent of the Ascendis Pharma component in comparison with the remainder of the Groups operations to confirm the Ascendis Pharma component represents a separate major line of business and should be classified as a discontinued operation;</li> <li>• We confirmed the profit/loss on disposal of these subsidiaries (concluded disposals) were correctly classified as part of the discontinued operations.</li> <li>• Evaluated the completeness of the presentation and disclosure regarding the discontinued operations by confirming that the appropriate entities within the consolidation were correctly classified as part of the discontinued operations, the associated transaction costs were classified as part of the discontinued operations, as well as ensuring all remaining balances were cleared within these entities through the profit or loss from discontinued operations.</li> <li>• Evaluated the adequacy of the presentation and disclosure related to discontinued operations confirming the related revenues, expenses, taxes, profit or loss on disposal and cashflow implications have been adequately disclosed.</li> </ul> <p>We found the judgements used by management to be appropriate based on the significance of the Ascendis Pharma business in comparison with the remainder of the Group.</p> <p>We considered the discontinued operation disclosures to be appropriate.</p>

# Independent auditor's report

<b>Loss of control over subsidiary</b>	
<p>During the current year the Group resolved to voluntarily commence business rescue proceedings for one of its wholly owned subsidiaries, Surgical Innovation (Pty) Ltd (“Surgical Innovation”), as envisaged in terms of Section 129(1) of the Companies Act, with effect from 12 May 2023.</p> <p>As a consequence of the business rescue proceedings, with effect from 12 May 2023, the Group ceased to consolidate Surgical Innovation due to the loss of control over the subsidiary resulting in the deconsolidation of Surgical Innovation’s net asset value and the recognition of a profit from the loss of control amounting to R73 million.</p> <p>We considered the loss of control over Surgical Innovation to be a matter of most significance to the current year audit due to the significant judgement applied in the assessment, the complexity of the assessment and the pervasive effect the loss of control has on the Group results.</p> <p>Refer to the following note to the consolidated financial statements for details:</p> <ul style="list-style-type: none"><li>• Note 6 – Loss of control over subsidiary</li></ul>	<p>Our audit procedures included an evaluation of management’s assessment of the loss of control over Surgical Innovation, which includes the following:</p> <ul style="list-style-type: none"><li>• We obtained the necessary supporting documentation to confirm the resolution to voluntarily commence business rescue proceedings for Surgical Innovation was in accordance with the applicable regulatory framework.</li><li>• We obtained the terms of engagement of the business rescue practitioner, read in compliance with the requirements of the Companies Act of South Africa to determine the extent of powers the business rescue practitioner exercises over Surgical Innovation.</li><li>• We assessed the extent to shareholder representatives of the shareholder Group is able to influence the operations of the entity as delegated by the business rescue practitioner.</li><li>• We evaluated management’s assessment as to whether or not the loss of control over Surgical Innovation is in accordance with requirements of IFRS 10 and whether Surgical Innovation represents a discontinued operation in accordance with the requirements of IFRS 5.</li><li>• We obtained an independent accounting opinion to confirm the accounting treatment related to the business rescue process, subsequent loss of control and classification as a discontinued operation in in accordance with the financial reporting framework.</li><li>• We recalculated the profit on loss of control over the subsidiaries based on the net asset value of Surgical Innovation as derecognised on date of loss of control.</li><li>• We evaluated management’s assessment of the fair value attributable to the shareholders equity interest in Surgical Innovation as well as the fair value attributable to the financial asset receivable from Surgical Innovation in accordance with relevant IFRS’s.</li></ul> <p>We found the judgements used by management to be appropriate based on our understanding of the transaction.</p> <p>We considered the disclosures around the loss of control over the subsidiary to be appropriate.</p>



# Independent auditor's report

<b>Impairment assessment of loans to related parties recognised at amortised cost (Company only)</b>	
<p>As at 30 June 2023, the company recognised loans to related parties carried at amortised cost valued at R3.1 billion (2022: R3.4 billion) and expected credit loss allowances on loans to related parties valued at R2.4 billion (2022: R361 million) as disclosed in note 5 to the company financial statements.</p> <p>As described in the notes to the financial statements, the impairment loss is determined in accordance with IFRS 9 - Financial Instruments.</p> <p>The application of IFRS 9's requirements related to credit loss allowances is considered to be a key audit matter due to the significant degree of judgement required in assessing the impairment of financial instruments.</p> <p>Those judgements include amongst others, the classification of the financial instrument on initial recognition, defining the default and determining the stage of impairment the financial instrument falls within, taking into consideration the counter party credit risk.</p> <p>The general approach was applied for these loans to related parties.</p>	<p>Our audit procedures focused on performing an independent evaluation of the credit loss allowance. The procedures on key judgements included:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the company's process for estimating the credit loss allowance.</li> <li>• Reviewed the company's business model assessment to confirm the financial instruments are correctly classified on initial recognition.</li> <li>• Assessed under the general approach, the classification of loans to related parties between the various stages of credit impaired, taking into account the default rate.</li> <li>• Assessing the financial health of the underlying entity to which the related party loans have been advanced to determine the reasonability of the present value of anticipated future cash flows.</li> <li>• Researching current market conditions and macro-economic indicators for indications of financial distress and assessed the impact of including forward-looking assumptions in the credit loss allowance calculation.</li> <li>• Recalculated the credit loss allowance of loans to related parties in accordance with the general approach as required by IFRS 9 and compared our own credit loss allowance to managements in order to determine whether any corrections were required.</li> <li>• We confirmed the adequacy of the company's disclosure in the financial statements in terms of IFRS 9.</li> </ul> <p>We found the recorded credit loss allowance to be appropriate.</p> <p>We considered the credit loss allowance for loans to related parties carried at amortised cost to be appropriately disclosed.</p>

# Independent auditor's report

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Ascendis Health Limited Group and Company Annual Financial Statements for the year ended 30 June 2023", which includes the Directors' Report, the Audit Committee's Report and the Group Company Secretary's Certificate as required by the Companies Act of South Africa and the CEO and FD's Certification as required by the JSE Limited Listing Requirements, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we do receive and read the Integrated Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

## Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

# Independent auditor's report

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

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

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

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

## Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Nexia SAB&T has been the auditor of Ascendis Health Limited for 1 year.



**Nexia SAB&T**

Johandre Engelbrecht

Director

Registered Auditor

29 September 2023

119 Witch-Hazel Avenue, Highveld Technopark, Centurion, 0157

# Audit committee report

## 1. Introduction

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

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

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

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

## 2. Purpose and activities of the committee

The committee performed the following functions during the year:

- Reviewed the interim and annual results to ascertain that the financial results are valid, accurate and fairly represent the group’s performance.
- Had oversight of integrated reporting and confirmed the integrity of the integrated annual report, as well as any other form of public reporting or announcements containing financial information.
- Reviewed the group annual financial statements, ensuring they are compliant with accounting standards and legal requirements, and recommended them for approval by the board.
- Ensured that the ongoing corporate activity is appropriately accounted for and disclosed in the annual financial statements and other forms of public reporting or announcements containing financial information.
- Reviewed the audit and risk committee and the internal audit charters.
- Confirmed the terms of engagement of the external auditor and had oversight of the change of auditors to Nexia SAB&T.
- Reviewed and monitored the implementation of the policy relating to non-audit services by the external auditor.
- Ensured that the scope of non-audit services did not compromise the independence of the external auditor. Please also refer to point 6 below in this regard.
- Had oversight of the activities and co-ordination of the external audits.
- Received feedback from management on systems of internal control.
- Reviewed and received assurances on the independence and objectivity of the external auditor.
- Reviewed the competence of the external auditors.
- Considered the implication of the decision to reduce the extent of internal audit involvement during the current year, due to the state of transition the group found itself in, and the effectiveness of the related mitigating activities by management.

# Audit committee report

## 2. Purpose and activities of the committee (continued)

- Had oversight of IT development with ongoing feedback on progress to the committee.
- Received feedback on follow up matters arising from the 2022 external audit management letter.
- Conducted an annual assessment of the committee and its members.
- Considered the expertise and experience of the acting CFO and the finance department.
- Reviewed the group insurance cover in place and ensured that the group was sufficiently covered.
- Reviewed and updated the levels of authority framework.
- Monitored the progress made to improve tax processes, controls and compliance across the group, and considered whether the correct tax treatment had been applied.
- Ensured that the group has established appropriate financial reporting procedures and that those procedures are operating effectively.

## 3. Composition of the committee

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

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

<b>Directors</b>	<b>Office</b>	<b>Qualifications</b>	<b>Changes</b>
A Chetty	Chairman	B Com, PG Dip Bus Mngmt and MBA	Appointed as the chairman of the committee effective 9 December 2022.
B Harie	Member/Invitee	BA LLB (Natal), LLM (Wits)	Resigned as the chairman of the committee effective 9 December 2022.
SL Mulaudzi	Member	National Diploma Information Technology Post-graduate Diploma in Computer Auditing	
K Wellner	Member	Masters degree in Economics Doctorate (PhD) in international economics (magna cum laude) Guest lecturer at MBA school of University of Stellenbosch from 2010 – 2015	

# Audit committee report (continued)

## 3. Composition of the committee (continued)

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

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

A Chetty (chairman)	7/7
K Wellner	6/7
SL Mulaudzi	5/7
B Harie (invitee)	5/5

In addition to the 4 quarterly meetings, the committee held an additional 3 meetings to review the technical matters impacting the half-year and year-end results.

The external audit partner (Nexia SAB&T), the executive directors and key finance and risk staff regularly attend meetings at the invitation of the committee. The external auditors have unfettered access to the committee over the course of the year.

## 4. External auditor

During the 2023 financial year, the board resolved to terminate the services of PricewaterhouseCoopers Inc and subsequently appointed Nexia SAB&T as its new external auditor.

Given the reduction in size and complexity of the company, the Board is of the view that Nexia SAB&T will best suit its needs going forward. The appointment is aligned with various ongoing cost optimisation initiatives in the company and will result in material cost savings going forward. The transition to Nexia SAB&T has been seamlessly and successfully concluded and the board is confident that the group and its shareholders will be well served by Nexia SAB&T as its external auditor.

The committee has assessed the independence, expertise and objectivity of the external auditor, Nexia SAB&T, as well as the fees paid to the external auditor.

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

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

The external auditor is invited to and attends all committee meetings. A schedule of findings by the external auditor arising from the statutory audit is tabled and presented at a committee meeting following the audit. The committee endorses action plans for management to mitigate concerns noted. The external auditor has expressed an unmodified opinion on the group annual financial statements for the year ended 30 June 2023.

The committee has reviewed the performance of the external auditor and has assessed the suitability of Nexia SAB&T as auditors based on the documents presented to it in terms of paragraph 3.84 (g)(iii) and section 22.15(h) of the Johannesburg Stock Exchange (JSE) Listings Requirements – in relation to registration, inspections, firm internal control and investigations in respect of Nexia as a firm and the designated auditor, Mr. J Engelbrecht.

# Audit committee report (continued)

## 5. External audit: Key audit matters

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

### **Presentation and disclosure of discontinued operations**

As outlined in the group annual financial statements, Ascendis Pharma Holdings (Pty) Ltd and its subsidiaries ("Ascendis Pharma") business was classified as held-for sale and a discontinued operation on 1 December 2021, resulting in the presentation and disclosure of Ascendis Pharma as held-for-sale and a discontinued operation in the financial year ending 30 June 2022. During the current year the group concluded the disposal of Ascendis Pharma by 31 October 2022.

The committee is satisfied that management has treated the disposals and the proposed divestment and held for sale and discontinued operations as per IFRS 5: Non-current Assets Held for Sale and Discontinued Operations (IFRS 5) requirements and this is supported by the independent external auditors who noted no exceptions in this regard.

### **Loss of control over subsidiary**

During the current year the group resolved to voluntarily commence business rescue proceedings for one of its wholly owned subsidiaries, Surgical Innovations (Pty) Ltd ("Surgical Innovations"), as envisaged in terms of Section 129(1) of the Companies Act, with effect from 12 May 2023. As a consequence of the business rescue proceedings, with effect from 12 May 2023, the group ceased to consolidate Surgical Innovations due to the loss of control over the subsidiary, resulting in the deconsolidation of Surgical Innovations' net asset value and the recognition of a profit from the loss of control amounting to R73 million.

The committee is satisfied that management has treated the loss of control and the deconsolidation as per the IFRS 10 requirements and this is supported by the independent external auditors who noted no exceptions in this regard.

### **Impairment assessment of loans to related parties recognised at amortised cost (Company only)**

As at 30 June 2023, the company recognised loans to related parties carried at amortised cost valued of R3.1 billion (2022: R3.4 billion) and expected credit loss allowances on loans to related parties valued at R2.4 billion (2022: R361 million) as disclosed in note 5 to the company financial statements. As described in the notes to the financial statements, the impairment loss is determined in accordance with IFRS 9 - Financial Instruments. The application of IFRS 9's requirements related to credit loss allowances is considered to be a key audit matter due to the significant degree of judgement required in assessing the impairment of financial instruments.

The committee is satisfied that management has treated the impairment assessment and credit loss allowance as per the IFRS 9 requirements and this is supported by the independent external auditors who noted no exceptions in this regard.

# Audit committee report (continued)

## 6. Non-audit services

The non-audit services policy was reviewed and revised by the committee to clearly define the type of non-audit services that the external auditors are permitted to provide, and the threshold of fees allowed from these services to ensure the independence of the auditors is upheld. In 2021, a new category of services was included, 'special audit services'; that encompasses services that are not required to be performed by the auditors but where there are compelling circumstances that exist to support their engagement. As a part of the revised policy, the committee implemented an additional control mechanism that requires approval at board level for these special audit services should they exceed 50% of the annual approved statutory audit fee. These metrics are still relevant in the current year.

At year end the percentage of non-audit services relative to the financial year audit costs was 0% (2022: 1%). The committee approved fees for the 2023 audit amounting to R4.5 million (2022: R14.8 million). Included in the above fee is R0.35 million (2022: R3.7 million), related to discontinued and / or disposed entities. Further, special audit services related fees were Rnil million (2022: R10.4 million), and fees for other preapproved non audit services were Rnil (2022: R50 000). The committee continued to monitor the level of non-audit services to ensure that these services are maintained at an acceptable level. The policy requires the external auditor to satisfy the committee that the delivery of non-audit services does not compromise their independence in performing regular audit services, regardless of the fees associated with such services.

## 7. Evaluation of the acting Chief Financial Officer

The committee has reviewed the expertise, experience and adequacy of the acting Chief Financial Officer, AC Neethling CA (SA), and his work together with the group finance team (four chartered accountants, one of whom has prior CFO experience, as well as two support staff), and has satisfied itself with his performance. The ongoing dispensation granted by the JSE for this arrangement in lieu of a permanent financial director appointment belies this view.

## 8. Application of King IV

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



# Audit committee report (continued)

## 9. Group and company annual financial statements

The committee assists the board with all financial reporting and reviews the group and company annual financial statements as well as trading statements, preliminary results announcements and interim financial information. The committee has considered the report on proactive monitoring of financial statements, and where necessary those of previous periods, and taking appropriate action to respond to these findings when preparing the annual financial statements for the year ended 30 June 2023.

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

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

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

## 10. Conclusion

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

On behalf of the committee:



A Chetty  
Chairman of the audit and risk committee  
Johannesburg  
29 September 2023

# Directors' report

The directors are pleased to submit their report on the group and company annual financial statements of Ascendis Health Limited and the group for the year ended 30 June 2023.

## 1. Nature of business and overview of the disposals

Ascendis Health Limited is a health and wellness investment holding company listed in the healthcare sector of the JSE. The group mainly focuses on supplying health and wellness products, as well as clinical and diagnostic medical devices.

During the current year, the group divested the Pharma business unit for a consideration of R443.6 million and is in the process of winding down its nutraceutical manufacturing facility, known as Ascendis Supply Chain, located in Wynberg, Johannesburg.

Whilst the group has not concluded any acquisitions over the past year, its decentralisation strategy has resulted in the incorporation of InterV-Med, a new business that has been carved out of Surgical Innovations, specialising in the supply and distribution of medical devices focused on interventional and diagnostic cardiology, radiology as well as fluid management and vascular surgery.

*At year end, the group's portfolio is comprised of:*

Ascendis Consumer Brands	Ortho Xact
Chempure	Cardio-Tech (previously CardaXes)
Compounding Pharmacy of South Africa	The Scientific Group
Supply Chain	Surgical Innovations
	InterV-Med

The portfolio is supported by the group's head office which has been materially reduced in size and cost together with a dedicated value creation team that works across the underlying portfolio's.

The following notes in the financial statements provide information that may be relevant in understanding the group corporate activity and its performance for the year:

- Note 1 - Going concern
- Note 2 - Net debt
- Note 3 - Borrowings and other financial liabilities
- Note 4 - Discontinued operations
- Note 5 - Disposal of subsidiaries
- Note 6 - Loss of control over subsidiary
- Note 7 - Group segmental analysis
- Note 8 - Earnings per share

## 2. Review of financial activities

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

The accounting policies have been applied consistently compared to the prior year.

**Revenue:** Group revenue from continuing operations of R1 535 million remained largely consistent with the comparative period revenue of R1 559 million. The Consumer segment faced significant challenges, experiencing an 18% decline in revenue within the Consumer Brands business. This decline can be primarily attributed to internal operational challenges, including overselling in the prior period, delayed responsiveness to evolving consumer behaviour, and a restructuring process that encompassed the winding down of Ascendis Supply Chain. These obstacles were further compounded by a challenging macroeconomic environment marked by pressure on discretionary spending and the enduring effects of the post-COVID landscape, which impacted the demand for our branded products.

However, it is worth noting that despite these challenges, we are pleased to report substantial progress in addressing the internal issues confronting the Consumer division. With the closure of the Supply Chain facility, it is increasingly evident that management's diligent efforts are yielding positive results, and our entities are moving in the right direction.

In contrast, the medical devices segment continued to exhibit robust revenue growth, particularly exemplified by Ortho-Xact and Cardio-Tech (previously CardaXes), which achieved remarkable revenue growth of over 20%. Additionally, Surgical Innovations and InterV-Med both achieved double-digit revenue growth compared to the prior year. Unfortunately, this growth was partly offset by an 11% decline in revenue earned by The Scientific Group, primarily attributable to the non-renewal of specific tenders and ongoing operational restructuring.

**Gross Profit:** The group's overall gross margin for the current year was 39.4%, which reflects a 1.5 percentage point decrease from the previous year. This decline can be primarily attributed to structural challenges encountered by our medical devices businesses. The depreciation of the ZAR relative to hard currencies, coupled with cost inflation pressures from our key foreign suppliers, exerted pressure on our gross profit margins. Management has dedicated significant effort and achieved notable success in implementing several mitigation measures. These measures include forging innovative partnerships with our suppliers and customers, prudently hedging our currency exposure, and engaging in constructive negotiations with all stakeholders. The diligent monitoring and management of our margins continue to be one of our management teams' foremost priorities and is essential to ensure the continued financial sustainability of the group.

**Cost Control:** Efficient cost control has been a focal point across the group, with a particular emphasis on reducing head office costs. During the year under review, annual head office costs saw a substantial reduction, decreasing from R95 million in the prior year to a total of R54 million in the current year. This reduction was primarily driven by a reduction in headcount and advisory costs. On an annualized run-rate basis, head office costs are currently expected to approximate R35 million. Despite identifying opportunities for further cost savings, it is important to acknowledge that the current regulatory environment, given Ascendis' status as a JSE-listed group, necessitates a certain level of costs and functions to ensure compliance with listing requirements.

# Directors' report

## 2. Review of financial activities (continued)

Total operating costs, encompassing transaction costs and impairments, declined by R55.5 million (6%) during the year under review. Administration costs experienced a notable decrease of R47.6 million (36%) due to cost containment initiatives. However, this decrease was partially offset by increases in advertising and selling costs, travel costs associated with key staff attending global conferences, and a one-time expense related to the Surgical Innovations VAT dispute with SARS which will be settled as part of the implementation of the business rescue plan.

Transaction and restructuring-related expenses have been substantially curtailed, reflecting a reduction of R46.2 million from the prior period. These costs were necessitated by several ongoing restructuring processes, divestments concluded in the past year, and the restructuring of the group's debt.

**Impairment of Assets:** During the year, as part of management's ongoing commitment to enhance the integrity of our financial records, a decision was made to impair land and buildings as well as plant and machinery previously operated by Ascendis Supply Chain, amounting to R50.7 million. This impairment followed the closure of the Supply Chain factory in Wynberg and pertained to the remaining factory building, land, and related plant, which management revalued in accordance with market-related rates and prevailing economic conditions.

After an extensive exercise was undertaken to assess the value of fixed assets held by Surgical Innovations and placed in the market, a decision was taken to impair PPE to the value of R19.9 million. This impairment is included in the income statement for the period prior to the deconsolidation of Surgical Innovations.

Furthermore, management recorded impairments of R15.5 million for brands and R42.7 million for customer relationships related to Ascendis Consumer Brands and The Scientific Group businesses, respectively. These intangible assets had been historically recorded upon the acquisition of the respective businesses. Subsequent to a comprehensive review of the current economic environment and the outlook for these businesses, management deemed it prudent to reduce their carrying values.

**Group Financial Position:** As of year-end, the group is in a strong overall solvency position, characterized by no external senior debt and surplus net assets totaling R562.9 million. This represents a remarkable 40% improvement from the previous year. The group's liquidity position has also stabilized, boasting available cash reserves of R102 million and net working capital in excess of R300 million at year-end.

**Outlook:** While several projects and initiatives are still underway, and further optimizations of our operating base and revenue growth are required, we are confident in our trajectory towards profitability. The group remains committed to this path, and we look forward to the future with optimism.

Full details of the financial results are set out in these group annual financial statements and accompanying notes for the year ended 30 June 2023.

## 3. Stated capital

<b>Authorised number of shares</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
Ordinary shares	2 000 000 000	2 000 000 000
<b>Issued and fully paid up number of shares</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
Ordinary shares	632 469 959	489 469 959

Refer to note 25 for detail on the movement of authorised and issued share capital.

# Directors' report (continued)

## 4. Directorate

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

Directors	Office	Designation	Changes
AC Neethling	Chief executive officer and acting chief financial officer#	Executive	
B Harie	Chairman	Independent non-executive	Appointed as chairman on 9 December 2022
SL Mulaudzi	Member	Non-executive	
K Wellner	Member	Independent non-executive	
A Chetty	Member	Independent non-executive	
T de Bruyn	Member	Non-executive	Appointed on 19 October 2022

#Appointed as CEO on 13 September 2022.

## 5. Directors' interests in shares

As at 30 June 2023, the directors of the group held direct and indirect beneficial interests in 33.4% (2022: 16.5%) of its issued ordinary shares, as set out in the table below.

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

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

(3)	Direct beneficial shares	Indirect beneficial shares <sup>(1)</sup>	Indirect non-beneficial shares <sup>(2)</sup>	Total
<b>2023 Directors</b>				
SL Mulaudzi	-	56 321 482	-	<b>56 321 482</b>
AC Neethling	9 097 350	65 947 438	-	<b>75 044 788</b>
K Wellner	1 278 124	-	2 365	<b>1 280 489</b>
B Harie	4 602	245 923	-	<b>250 525</b>
T De Bruyn	-	78 072 509	-	<b>78 072 509</b>
<b>Total</b>	<b>10 380 076</b>	<b>200 587 352</b>	<b>2 365</b>	<b>210 969 793</b>
<b>2022 Directors</b>				
SL Mulaudzi	-	56 321 482	-	<b>56 321 482</b>
AC Neethling	7 013 806	15 569 699	-	<b>22 583 505</b>
K Wellner	1 278 124	-	2 365	<b>1 280 489</b>
H Smit	220 000	-	-	<b>220 000</b>
B Harie	3 548	189 600	6 535	<b>199 683</b>
<b>Total</b>	<b>8 515 478</b>	<b>72 080 781</b>	<b>8 900</b>	<b>80 605 159</b>

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

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

<sup>(3)</sup> No changes occurred between the end of the 2023 financial year and the date of publication of the annual financial statements. No directors' shareholdings are subject to security, guarantee, collateral or otherwise.

# Directors' report (continued)

## 6. Going concern

The group annual financial statements have been prepared on a going concern basis and the directors are satisfied that the group will continue its operations and meet its obligations for the foreseeable future. The Directors have evaluated the group's financial position, cash flow outlook, and available financing resources, considering various scenarios and potential risks. As of the statement of financial position date, the Directors believe that the Company's operational cash flows and available funding sources are sufficient to enable it to fulfill its commitments. Refer to note 1 for detailed disclosure on how the going concern was assessed and concluded.

## 7. Interests in subsidiaries

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

## 8. Assessment of macro-economic factors

**Russia-Ukraine conflict** – The effects of Russia's invasion of Ukraine have been limited. The group is only indirectly exposed to the conflict through the impact on the oil price because it does not have any direct operations in the affected countries.

**Continued loadshedding** – The group has sought to mitigate the detrimental impact of loadshedding through ensuring alternative back up power supplies are in place in its various locations. Notwithstanding, loadshedding has resulted in material increased operating costs for the group and has had a knock on effect to our customers and consumers which has hampered growth.

**Rising inflation and deteriorating exchange rate** – A material part of the portfolio's operations is dependent on imports of products in hard currencies – leaving the businesses exposed to the impact of foreign cost inflation and a weakening exchange rate. The group has a hedging policy in place to mitigate this risk but over time the businesses are dependent on being able to pass cost increases through to our customers which has proven challenging in the current environment. Management is continuously investigating innovative solutions and partnerships with our suppliers and customers in order to ensure mutually beneficial accounts and address the detrimental consequences.

The board will continue to monitor the impact of the above factors on the operations of the group.

## 9. Events after the reporting period

Refer to note 33 in the group annual financial statements for details regarding events after reporting date.

## 10. Secretary

Joseph Fine (B Soc Sci LLB) has fulfilled the function of company secretary since 1 October 2022. He was formally appointed as the company secretary with effect from 29 September 2023.

## 11. Dividends

The board of directors did not declare any interim or final dividend for the year ended 30 June 2023 (2022: Rnil).

## 12. Special Resolutions

The following special resolution was approved at the AGM held on 30 November 2022:

- Special Resolution Number 1 – Approval of non-executive directors' remuneration for the 2023 financial year.

## 13. Performance Measures

Performance measures (PM's) are not defined or specified per the requirements of IFRS but are derived from the financial statements prepared in accordance with IFRS. They are consistent with how the group's performance is measured and reported internally to assist in providing meaningful analyses. The PM's are used to improve comparability of information between reporting periods and segments by adjusting for infrequent items. The key PM's used by the group are normalised EBITDA (refer to note 7), normalised operating profit and normalised headline earnings per share (refer to note 8) and adjusted EBITDA. PM's disclosed may not be comparable with similar labelled measures and disclosures provided by other entities and users should not use them in isolation or as a substitute for other measures. They are not intended to be projections or forecasts of future results. Detailed disclosure of the performance measures is included on the Ascendis Health website: <https://ascendishealth.com/wp-content/uploads/2020/09/Ascendis-Health-Performance-Measures-30-June-2020.pdf>.

# Group statement of profit or loss

## for the year ended 30 June 2023

	Notes	2023 R'000	2022 R'000
<b>Continuing operations</b>			
Revenue	9	1 535 437	1 559 458
Cost of sales		(930 906)	(921 724)
<b>Gross profit</b>		<b>604 531</b>	<b>637 734</b>
Other income	10	86 329	17 234
Selling and distribution costs	10	(102 770)	(113 897)
Administrative expenses	10	(474 122)	(472 356)
Net impairment loss on financial assets	10	(3 232)	(1 110)
Other operating expenses	10	(173 083)	(134 185)
Transaction and restructuring related costs	10	(34 848)	(81 062)
Net impairment loss on assets	10	(128 813)	(169 800)
<b>Operating loss</b>		<b>(226 008)</b>	<b>(317 442)</b>
Finance income	11	9 519	6 699
Finance costs	11	(68 118)	(484 649)
<b>Loss before taxation</b>		<b>(284 607)</b>	<b>(795 392)</b>
Tax (expense)/income	12	(1 635)	37 303
<b>Loss from continuing operations</b>		<b>(286 242)</b>	<b>(758 089)</b>
Profit from discontinuing operations	4	361 564	1 208 235
<b>Profit for the period</b>		<b>75 322</b>	<b>450 146</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the parent		75 322	449 200
Continuing operations		(286 242)	(759 035)
Discontinued operations		361 564	1 208 235
Non-controlling interest		-	946
		<b>75 322</b>	<b>450 146</b>
<b>Loss per share from continuing operations</b>			
Basic and diluted loss per share (cents)	8	(47.2)	(158.2)
<b>Total profit per share</b>			
Basic and diluted profit per share (cents)	8	12.4	93.6



# Group statement of comprehensive income for the year ended 30 June 2023

	2023 R'000	2022 R'000
<b>Profit for the period</b>	<b>75 322</b>	<b>450 146</b>
<b>Other comprehensive income:</b>		
<b>Items that may be reclassified to profit and loss net of tax</b>		
Foreign currency translation reserve	3 288	(17 397)
Disposal and deregistration of foreign operations	-	(373 683)
Revaluation of property, plant and equipment	(23 683)	-
Income tax relating to items that will not be reclassified	4 637	-
<b>Other comprehensive loss for the period net of tax</b>	<b>(15 758)</b>	<b>(391 080)</b>
<b>Total comprehensive income for the period</b>	<b>59 564</b>	<b>59 066</b>
<b>Total comprehensive income/(loss) attributable to:</b>		
Owners of the parent	59 564	58 120
Continuing operations	(302 000)	(757 460)
Discontinued operations	361 564	815 580
Non-controlling interest	-	946
	<b>59 564</b>	<b>59 066</b>

# Group statement of financial position

## at 30 June 2023

	Notes	2023 R'000	2022 R'000
<b>ASSETS</b>			
Property, plant and equipment	13	119 507	231 391
Right-of-use assets	14	17 548	115 432
Intangible assets and goodwill	15	37 587	116 308
Other financial assets	16	4 132	7 622
Deferred tax assets	17	44 031	48 281
<b>Non-current assets</b>		<b>222 805</b>	<b>519 034</b>
Inventories	18	365 938	371 866
Trade and other receivables	19	269 232	339 174
Other financial assets	16	1 847	51 017
Current tax receivable	28	5 224	20 909
Derivative financial assets		872	3 065
Cash and cash equivalents	20	102 231	213 020
		745 344	999 051
Assets classified as held for sale	4	2 562	159 513
<b>Current assets</b>		<b>747 906</b>	<b>1 158 564</b>
<b>Total assets</b>		<b>970 711</b>	<b>1 677 598</b>
<b>EQUITY</b>			
Stated capital	25	6 156 825	6 036 471
Reserves		(16 472)	(714)
Accumulated loss		(5 577 456)	(5 633 954)
<b>Equity attributable to equity holders of parent</b>		<b>562 897</b>	<b>401 803</b>
<b>Total equity</b>		<b>562 897</b>	<b>401 803</b>
<b>LIABILITIES</b>			
Borrowings and other financial liabilities	3	3 431	22 131
Deferred tax liabilities	17	8 099	24 774
Lease liabilities	24	15 875	140 272
<b>Non-current liabilities</b>		<b>27 405</b>	<b>187 177</b>
Trade and other payables	21	313 841	423 560
Borrowings and other financial liabilities	3	26 376	521 538
Provisions	22	10 635	18 204
Contract liabilities	23	16 638	16 792
Lease liabilities	24	4 855	10 817
Current tax payable	28	8 064	14 602
		380 409	1 005 513
Liabilities classified as held for sale	4	-	83 105
<b>Current liabilities</b>		<b>380 409</b>	<b>1 088 618</b>
<b>Total liabilities</b>		<b>407 814</b>	<b>1 275 795</b>
<b>Total equity and liabilities</b>		<b>970 711</b>	<b>1 677 598</b>

# Group statement of changes in equity

## for the year ended 30 June 2023

R'000	Stated capital	Foreign currency translation reserve	Revaluation reserve <sup>(1)</sup>	Other reserves <sup>(2)</sup>	Retained income/(Accumulated loss)	Total attributable to equity holders of the group	Non-controlling interest	Total equity
<b>Balance as at 1 July 2021</b>	<b>6 017 784</b>	<b>390 022</b>	<b>27 774</b>	<b>47 720</b>	<b>(6 136 763)</b>	<b>346 537</b>	<b>167 232</b>	<b>513 769</b>
Profit for the period	-	-	-	-	449 200	449 200	946	450 146
Other comprehensive loss	-	(391 080)	-	-	-	(391 080)	-	(391 080)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>(391 080)</b>	<b>-</b>	<b>-</b>	<b>449 200</b>	<b>58 120</b>	<b>946</b>	<b>59 066</b>
Appraisal rights payments <sup>(3)</sup>	(2 120)	-	-	-	-	(2 120)	-	(2 120)
Release of treasury shares <sup>(4)</sup>	20 807	-	-	-	(20 807)	-	-	-
Foreign currency translation reserve	-	-	193	565	(1 492)	(734)	-	(734)
Reclassification of reserves into retained earnings <sup>(5)</sup>	-	-	(8 921)	(66 987)	75 908	-	-	-
Disposal of non-controlling interest <sup>(6)</sup>	-	-	-	-	-	-	(168 178)	(168 178)
<b>Total contributions by and distributions to owners of the group recognised directly in equity</b>	<b>18 687</b>	<b>-</b>	<b>(8 728)</b>	<b>(66 422)</b>	<b>53 609</b>	<b>(2 854)</b>	<b>(168 178)</b>	<b>(171 032)</b>
<b>Balance as at 30 June 2022</b>	<b>6 036 471</b>	<b>(1 058)</b>	<b>19 046</b>	<b>(18 702)</b>	<b>(5 633 954)</b>	<b>401 803</b>	<b>-</b>	<b>401 803</b>
Profit for the period	-	-	-	-	75 322	75 322	-	75 322
Other comprehensive income/(loss)	-	3 288	(19 046)	-	-	(15 758)	-	(15 758)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>3 288</b>	<b>(19 046)</b>	<b>-</b>	<b>75 322</b>	<b>59 564</b>	<b>-</b>	<b>59 564</b>
Proceeds from rights offer <sup>(7)</sup>	101 530	-	-	-	-	101 530	-	101 530
Release of treasury shares <sup>(4)</sup>	18 824	-	-	-	(18 824)	-	-	-
<b>Total contributions by and distributions to owners of the group recognised directly in equity</b>	<b>120 354</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18 824)</b>	<b>101 530</b>	<b>-</b>	<b>101 530</b>
<b>Balance as at 30 June 2023</b>	<b>6 156 825</b>	<b>2 230</b>	<b>-</b>	<b>(18 702)</b>	<b>(5 577 456)</b>	<b>562 897</b>	<b>-</b>	<b>562 897</b>

<sup>(1)</sup> Refer to note 13 for more details on the revaluation processed on the Wynberg manufacturing premises.

<sup>(2)</sup> Refer to note 26 for more details on other reserves.

<sup>(3)</sup> Buyback of shares from dissenting shareholders pursuant to a s164 appraisal rights process.

<sup>(4)</sup> Treasury shares to the value of R18.8 million (30 June 2022: R20.8 million) have been released to equity in the current year. Refer to note 25 for more details.

<sup>(5)</sup> Release of the revaluation reserve on property carried at fair value on the disposal of Remedica as part of the AHIH group in 2022. Refer to note 5.

<sup>(6)</sup> Refer to note 5 for the disposal of subsidiary disclosures.

<sup>(7)</sup> On 19 August 2022, the Rights Offer was concluded resulting in the group raising R101.53 million.

# Group cash flow statement

## for the year ended 30 June 2023

	Notes	2023 R'000	2022 R'000
<b>Cash flows from operating activities</b>			
Cash utilised by operations	27	(88 224)	(102 871)
Cash (utilised by)/generated from operations - discontinued operations		(8 873)	124 026
Interest income received		9 519	5 615
Interest paid		(40 196)	(106 671)
Income taxes paid	28	(12 613)	(13 688)
<b>Net cash outflow from operating activities</b>		<b>(140 387)</b>	<b>(93 589)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	13	(35 726)	(55 549)
Proceeds on the sale of property, plant and equipment		29 678	6 896
Purchases of intangibles assets	15	(123)	(254)
Proceeds from disposal of other financial assets		49 692	-
Net cash inflow from investing activities - discontinued operations		432 203	1 093 716
Proceeds from disposal of subsidiaries - net of cash forfeited	5, 6	432 203	1 188 993
Cash outflow from investing activities - discontinued operations		-	(95 277)
<b>Net cash inflow from investing activities</b>		<b>475 724</b>	<b>1 044 809</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	25	101 530	-
Payments made to acquire treasury shares		-	(2 120)
Proceeds from borrowings raised		-	48 730
Repayment of borrowings	3	(540 124)	(1 135 679)
Repayments on deferred vendor liabilities		-	(120 947)
Lease liabilities repaid	24	(11 797)	(26 686)
Net cash outflow from financing activities - discontinued operations		(137)	(36 729)
<b>Net cash outflow from financing activities</b>		<b>(450 528)</b>	<b>(1 273 431)</b>
<b>Net decrease in cash and cash equivalents</b>			
		<b>(115 191)</b>	<b>(322 211)</b>
Restricted cash balance at the beginning of the period	20	64 060	60 442
Other cash and cash equivalents balance at the beginning of the period		148 960	305 469
<b>Cash and cash equivalents at beginning of period</b>		<b>213 020</b>	<b>365 911</b>
Effect of exchange difference on cash balances		-	(1 953)
Cash and cash equivalents at the beginning of the period - assets held for sale	4	4 402	175 675
Cash and cash equivalents at end of period - assets held for sale	4	-	(4 402)
Restricted cash balance at the end of the period	20	18 709	64 060
Cash and cash equivalents balance at the end of the period		83 522	148 960
<b>Cash and cash equivalents at end of period</b>	20	<b>102 231</b>	<b>213 020</b>

# Accounting policies

## for the year ended 30 June 2023

### Corporate information

Ascendis Health Limited is a health and wellness investment holding company listed in the healthcare sector of the JSE. Following the divestment of Pharma (refer to note 5), the group operates nine distinct businesses within the broader South African health and wellness sector.

The remaining businesses are broadly classified into the following reportable segments:

**1. Medical Devices which consists of:**

- Surgical Innovations
- The Scientific Group
- Ortho-Xact
- InterV-Med (previously the Cardiovascular division within Surgical Innovations)
- Cardio-Tech (previously the Cardaxes division within Surgical Innovations)

**2. Consumer Brands which consists of:**

- Ascendis Consumer Brands
- Chempure
- The Compounding Pharmacy of South Africa
- Ascendis Supply Chain

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

### Basis of preparation

The group annual financial statements as at 30 June 2023 comprise of the company and its subsidiaries (together referred to as the group).

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

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

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

# Accounting policies (continued)

## for the year ended 30 June 2023

### Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below and in the related notes to the group annual financial statements. The principal accounting policies are consistent with those applied in the prior year.

#### Consolidation of subsidiaries

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

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

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

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

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

#### Foreign currency

##### *Translations and balances*

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

The exchange rates relevant to the group are disclosed in note 29.

# Accounting policies (continued)

## for the year ended 30 June 2023

### Principal accounting policies (continued)

#### Employee benefits

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

The group has adopted a single policy for remuneration. The employee benefits form part of the cost to company and is therefore seen as a 100% company contribution. The group contributes to pension/provident funds, medical aid, medical insurance cover and the company's employee assistance partner.

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

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

The standards and amendments listed below will be effective in future reporting periods. It is anticipated that the group will adopt the standard or amendment on their respective effective dates i.e., the group does not plan on early adoption unless otherwise stated.

- **Definition of Accounting Estimates**  
Amendments to IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*. This is effective for accounting periods commencing on or after 1 January 2023.
- **Disclosure of Accounting Policies**  
Amendments to IAS 1 and IFRS Practice Statement 2. This is for accounting periods commencing on or after 1 January 2023.
- **Deferred tax related to assets and liabilities arising from a single transaction**  
Amendments to IAS 12. This is for accounting periods commencing on or after 1 January 2023.
- **Classification of Liabilities as Current or Non-current**  
Amendments to IAS 1: *Presentation of Financial Statements*. This is effective for accounting periods commencing on or after 1 January 2024.
- **Lease liability in a Sale and Leaseback – Amendments to IFRS 16**  
Amendments to IFRS 16: *Leases on sale and leaseback*. This is effective for accounting periods commencing on or after 1 January 2024.
- **Non-current Liabilities with covenants – Amendments to IAS 1**  
Amendments to IAS 1: *Presentation of Financial Statements*. This is effective for accounting periods commencing on or after 1 January 2024.

The above amendments are unlikely to have a material impact on the group.

# Notes to the group annual financial statements

## for the year ended 30 June 2023

### 1. Going concern

In determining the appropriate basis of preparation of the group annual financial statements, the directors are required to consider whether the group and the company can continue to operate for the foreseeable future, being at least the 12 months following 30 June 2023.

In making the going concern assessment, the directors have considered the year-to-date performance of the underlying operations, the available liquidity to support ongoing operational requirements and the group solvency position.

#### Review of Trading

In the 12 months ended 30 June 2023, the group recorded a loss from continuing operations of R286.2 million, materially lower than the loss in the comparative period of R758.1 million. Key contributors to the loss recorded in the current period include finance costs of R68.1 million, impairment losses of R128.8 million; a provision raised in respect of a SARS tax dispute of R65.2 million (relating to the Surgical Innovations business); losses related to the Supply Chain business and other 'once off' costs relating to the head office wind down and business unit restructurings undertaken. Excluding these losses, and adjusting for the gain arising from the deconsolidation of Surgical Innovations, the closure of the Wynberg factory and head office cost reductions, management calculates an adjusted EBITDA in excess of R30 million which is more reflective of the underlying operational performance of the group in a very challenging year.

A number of these costs have been necessitated by the group's strategy to stabilise and optimise its operations as well as address a few legacy risks. They are not reflective of the true underlying operational performance.

Management has undertaken a detailed year-end review and budgeting process for each business unit and is satisfied that the outlook for the group will see an imminent return to overall profitability and positive cash flow generation in the near future. A review of year to date trading in the 2024 financial year supports this contention and the group has seen a strong start to the financial year by all of its business units.

The majority of groundwork and restructuring has been completed and subject to the successful completion of the remaining transformation initiatives over the ensuing 12 months, the group will be well positioned to capitalise on future trading and growth opportunities.

#### Solvency and Liquidity

As at 30 June 2023, the group's assets exceeded liabilities by R562.9 million whilst current assets exceeded current liabilities by R367.5 million (with cash in hand of R102 million). Management is satisfied that significant strides have been taken in rectifying the group's capital structure – marked by a successful rights offer in August 2022 and the final repayment of its external senior debt in February 2023.

The group no longer has any external senior debt, as this was successfully repaid during the period from the proceeds received on disposal of the Pharma business, and has furthermore secured access to a suite of banking and credit facilities with Rand Merchant Bank in an effort to ensure that liquidity within the portfolio is appropriately managed.

Notwithstanding the group's overall liquidity position, the decentralisation of cash management with the portfolio means that shortfalls may arise from trading within certain businesses from time to time. Where this is the case management have established clear protocols for intervention and support from group resources and as such is satisfied that its business units have access to adequate liquidity to ensure the settlement of creditors as they fall due.

#### Conclusion

The group has successfully settled all external senior debt which resulted in the material uncertainty related to the going concern as disclosed in the 2022 financial results, following which the group sufficient liquidity and access to financing to meet its obligations as they fall due, and at this stage the directors have no reason to believe that this will change in the foreseeable future.

The directors are satisfied that there are no longer any material uncertainties that cast significant doubt on the group's ability to continue as a going concern and the going concern assumption is appropriate.



# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 2. Net debt

Net debt is calculated as the sum of borrowing and other financial liabilities, deferred vendor liabilities and lease liabilities less cash and cash equivalents.

	2023 R'000	2022 R'000
Cash and cash equivalents	102 231	213 020
Debt repayable within one year including bank overdrafts	(31 231)	(532 356)
Debt repayable after one year	(19 306)	(162 402)
<b>Net debt<sup>PM</sup></b>	<b>51 694</b>	<b>(481 738)</b>
Cash and cash equivalents	102 231	213 020
Gross debt - fixed interest rate	(50 537)	(196 594)
Gross debt - variable interest rate	-	(498 164)
<b>Net debt<sup>PM</sup></b>	<b>51 694</b>	<b>(481 738)</b>

#### Net debt<sup>PM</sup> reconciliation

R'000	Cash and cash equivalents	Leases	Borrowings	Deferred vendor liabilities	Total
<b>Net debt<sup>PM</sup> as at 30 June 2021</b>	365 911	(193 273)	(6 792 474)	(116 808)	<b>(6 736 644)</b>
Cashflows - principal / capital portion	(122 727)	34 865	1 115 499	120 947	<b>1 148 584</b>
Continuing operations		26 686	1 086 949	120 947	
Cash inflow		-	(48 730)	-	
Cash outflow		26 686	1 135 679	120 947	
Discontinued operations		8 179	28 550	-	
Foreign exchange adjustments	-	(816)	(49 678)	-	<b>(50 494)</b>
Transfer to held for sale	(30 164)	921	(28 550)	-	<b>(57 793)</b>
Group capitalisation	-	-	6 492 494	-	<b>6 492 494</b>
Net reinstated debt <sup>(1)</sup>	-	-	(968 426)	-	<b>(968 426)</b>
Other adjustments / movements <sup>(2)</sup>	-	7 214	(312 534)	(4 139)	<b>(309 459)</b>
<b>Net debt<sup>PM</sup> as at 30 June 2022</b>	<b>213 020</b>	<b>(151 089)</b>	<b>(543 669)</b>	<b>-</b>	<b>(481 738)</b>
Cashflows - principal / capital portion	(110 789)	11 797	498 164	-	399 172
Foreign exchange adjustments	-	(2 831)	(828)	-	(3 659)
Deemed disposal of business <sup>(1)</sup>	-	123 888	-	-	123 888
Other adjustments / movements <sup>(3)</sup>	-	(2 495)	16 526	-	14 031
<b>Net debt<sup>PM</sup> as at 30 June 2023</b>	<b>102 231</b>	<b>(20 730)</b>	<b>(29 807)</b>	<b>-</b>	<b>51 694</b>

<sup>(1)</sup> This relates to the loss of control of Surgical Innovations. Refer to note 6 for more information.

<sup>(2)</sup> This relates to the debt facilities that were reinstated upon completion of the group recapitalisation in October 2021.

<sup>(3)</sup> This mainly relates to the settlement of the TRS shares (refer to note 3) and interest that has been capitalised to the liability account.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 3. Borrowings and other financial liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Subsequently, borrowings are measured at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings.

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

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

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

The fair value is determined using the discounted cash flow models and approximates the carrying value. The key valuation inputs in the fair value assessment are the interest rate (unobservable) and credit risk (unobservable), making this a level 3 fair value assessment. More information on the fair value estimation and hierarchy are provided in note 30.

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

	2023 R'000	2022 R'000
<b>Senior debt</b>		
ZAR denominated term loans	-	498 164
<b>Total senior debt</b>	-	<b>498 164</b>
<b>Other Borrowings</b>		
Other facilities	29 807	45 505
<b>Total other debt</b>	<b>29 807</b>	<b>45 505</b>
<b>Total borrowings and other financial liabilities</b>	<b>29 807</b>	<b>543 669</b>
The split between current and non-current borrowings and other financial liabilities		
Non-current liabilities	3 431	22 131
Current liabilities	26 376	521 538
	<b>29 807</b>	<b>543 669</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 3. Borrowings and other financial liabilities (continued)

During November 2022, the proceeds from the divestment of Pharma were applied against the group's outstanding debt facility which was subsequently paid down to a balance of R50 million. The group entered into an amended agreement with the senior lender whereby the remaining debt of R50 million was settled in full at the end of February 2023. As at 30 June 2023, the group did not have any outstanding senior debt.

#### Other facilities

The group also has the following material borrowings as at 30 June 2023:

#### TRS liability

The original TRS (total return swap) liability with ABSA Bank Limited consisted of three tranches, the nominal amount of which was R81.7 million. Partial settlement took place in the period to 31 December 2020, July 2021 and July 2022 reducing the outstanding balance to R18.7 million (30 June 2022: R36.5 million). One tranche remained outstanding at year end and is payable at maturity on 5 July 2023. The tranche carries a fixed interest rate of 9.91% per annum. This final tranche was settled post year end.

#### Distribution liability

During November 2022, the group renegotiated the terms of payment on the distribution liability within the medical devices segment which resulted in the extension of final payment date from June 2024 to January 2025. The amendments to the terms of the distribution agreement did not result in a substantial modification in terms of IFRS 9. The balance included in other borrowings is R11.1 million (30 June 2022: R9.0 million).

	2023 R'000	2022 R'000
<b>Reconciliation of borrowings</b>		
Capital portion of loans outstanding at beginning of period	543 669	6 792 474
New loans raised net of debt capitalisation fees		
Syndicated facility - Rand term loans	-	1 029 665
Senior Debt - Rand term loans	-	587 850
Capitalised fees amortised	-	8 250
Capital settled		
Syndicated facility - South Africa term loans	-	(2 863 966)
Syndicated facility - Euro term loans and revolving credit facility	-	(4 458 492)
Rand revolving credit facility	-	(478 558)
Other facilities	(17 850)	(35 728)
Senior Debt - Rand term loans	(498 164)	(94 448)
Foreign currency translation	828	49 678
<b>Capital portion of loans outstanding at period end</b>	<b>28 483</b>	<b>536 725</b>
Interest accrued	1 324	6 944
<b>Total loans outstanding at period end</b>	<b>29 807</b>	<b>543 669</b>

#### 4. Discontinued operations

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a disposal transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Discontinued operations represents a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographic area of operations.

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

Discontinued operations represents separate major lines of business for the Group which have been disposed of, or are in process of being disposed of.

##### **Disposal of Pharma**

During the current period, the group completed the divestment of Ascendis Pharma which was classified as a discontinued operation and held for sale in terms of IFRS 5. The transaction was completed on 31 October 2022 for net cash consideration of R443.6 million.

##### **Disposal of manufacturing assets relating to the Supply Chain business**

During the current period, the group started the process of moving the manufacturing facilities to a 3rd party. Certain plant, machinery and equipment were disposed of before year end. The remaining items not yet transferred to a 3rd party have been identified and will change ownership by 30 September 2023. These items have been classified as held for sale in terms of IFRS 5 as at 30 June 2023.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 4. Discontinued operations (continued)

2023	Pharma
R'000	
Revenue	141 062
Expenses	(122 149)
Profit on sale of disposal group <sup>(1)</sup>	350 184
<b>Profit before tax</b>	<b>369 097</b>
Tax expense	(7 533)
<b>Profit after income tax expense of discontinued operations</b>	<b>361 564</b>
Other comprehensive income	-
<b>Total comprehensive income</b>	<b>361 564</b>

<sup>(1)</sup> Refer to note 5 for more information.

Animal Health, RCA, Farmalider, AHIH Group and Ascendis Skin and Body were all disposed in the prior reporting period. Pharma was disposed in the current period.

Refer to note 5 for the disclosure of the disposal of these entities.

### 2022

R'000	Animal Health	Respiratory Care Africa <sup>(1)</sup>	Farmalider	AHIH Group <sup>(2)</sup>	Pharma	Ascendis Skin and Body <sup>(3)</sup>	Total
Revenue	266 560	193 990	-	999 848	383 777	73 710	1 917 885
Expenses	(213 271)	(152 909)	-	(901 120)	(368 151)	(67 556)	(1 703 007)
Profit/(loss) on sale of disposal group	126 592	181 464	(39 465)	675 751	-	68 559	1 012 901
<b>Profit/(loss) before tax</b>	<b>179 881</b>	<b>222 545</b>	<b>(39 465)</b>	<b>774 479</b>	<b>15 626</b>	<b>74 713</b>	<b>1 227 779</b>
Tax	(1 139)	9 204	-	(23 654)	(6 939)	2 984	(19 544)
<b>Profit/(loss) after income tax expense of discontinued operation</b>	<b>178 742</b>	<b>231 749</b>	<b>(39 465)</b>	<b>750 825</b>	<b>8 687</b>	<b>77 697</b>	<b>1 208 235</b>
<b>Total comprehensive income/(loss)</b>	<b>178 742</b>	<b>231 749</b>	<b>(39 465)</b>	<b>750 825</b>	<b>8 687</b>	<b>77 697</b>	<b>1 208 235</b>

<sup>(1)</sup> RCA is included as part of Medical Devices segment in the segment reporting.

<sup>(2)</sup> AHIH is included as part of the Remedica and Sunwave segment in the segment reporting.

<sup>(3)</sup> Ascendis Skin and Body is included as part of Consumer Health segment in the segment reporting.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 4. Discontinued operations (continued)

#### Assets and liabilities classified as held for sale

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

<b>R'000</b>	<b>Supply chain 2023 R'000</b>	<b>Pharma 2022 R'000</b>
Property, plant and equipment	2 562	788
Intangible assets & goodwill	-	52 638
Deferred tax asset	-	3 029
Inventories	-	27 904
Current income tax receivable	-	200
Trade and other receivables	-	70 359
Cash and cash equivalents	-	4 523
Other financial assets	-	72
<b>Assets held for sale</b>	<b>2 562</b>	<b>159 513</b>
Borrowings	-	(137)
Trade and other payables	-	(78 612)
Provisions	-	(3 347)
Current Income tax payable	-	(887)
Bank overdraft	-	(122)
<b>Liabilities held for sale</b>	<b>-</b>	<b>(83 105)</b>
<b>Net assets</b>	<b>2 562</b>	<b>76 408</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 5. Disposal of subsidiaries

During the current year, the group sold its investment and interests in the Pharma business unit effectively on 31 October 2022.

The carrying amount of assets and liabilities that were disposed were:

	2023 R'000
	Pharma
Property, plant and equipment	462
Intangible assets and goodwill	51 243
Right-of-use assets	-
Deferred tax assets	3 124
Current income tax receivable	205
Inventories	40 145
Trade and other receivables	67 694
Other financial assets	78
Cash and cash equivalents	2 621
<b>Total assets</b>	<b>165 572</b>
Lease liabilities	-
Trade and other payables	(60 281)
Provisions	(3 580)
Current income tax payable	(8 297)
<b>Total liabilities</b>	<b>(72 158)</b>
<b>Carrying amount of net asset disposed</b>	<b>93 414</b>
<b>Total disposal consideration - cash</b>	<b>443 598</b>
<b>Gain on disposal</b>	<b>350 184</b>
<b>Net cash</b>	
Cash received	443 598
Less: Cash and cash equivalents balance of disposed subsidiaries	(2 621)
<b>Net cash received on sale</b>	<b>440 977</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 5. Disposal of subsidiaries (continued)

2022 R'000	Animal Health	Respiratory Care Africa	Farmalider	AHIH Group	Ascendis Skin and Body	Total
Property, plant and equipment	7 082	17 218	16 715	929 281	813	971 109
Intangible assets and goodwill	527 834	101 475	153 795	4 611 930	1 668	5 396 702
Right-of-use assets	23 109	-	37 904	54 177	3 229	118 419
Deferred tax assets	374	8 014	61 704	-	6 042	76 134
Current income tax receivable	-	6 707	23 967	10 017	160	40 851
Inventories	130 858	85 359	135 177	676 078	19 727	1 047 199
Trade and other receivables	79 810	128 026	147 089	1 371 415	8 617	1 734 957
Other financial assets	768	1	11 931	677	-	13 377
Cash and cash equivalents	19 262	7 736	30 013	124 256	3 376	184 643
<b>Total assets</b>	<b>789 097</b>	<b>354 536</b>	<b>618 295</b>	<b>7 777 831</b>	<b>43 632</b>	<b>9 583 391</b>
Borrowings and other financial		-	(258 256)	(638 295)	-	(896 551)
Deferred vendor liabilities		-	-	(758 173)	-	(758 173)
Lease liabilities	(19 813)	-	(34 878)	(50 581)	(3 005)	(108 277)
Deferred tax liability	(56 305)	-	-	(28 055)	-	(84 360)
Trade and other payables	(63 783)	(69 455)	(128 536)	(555 677)	(6 262)	(823 713)
Provisions	(14 366)	(27 837)	-	(15 327)	(1 006)	(58 536)
Bank overdrafts	-	-	-	(61 623)	-	(61 623)
Current income tax payable	(25 994)	-	(9 836)	(26 656)	-	(62 486)
<b>Total liabilities</b>	<b>(180 261)</b>	<b>(97 292)</b>	<b>(431 506)</b>	<b>(2 134 387)</b>	<b>(10 273)</b>	<b>(2 853 719)</b>
<b>Carrying amount of net assets</b>	<b>608 836</b>	<b>257 244</b>	<b>186 789</b>	<b>5 643 444</b>	<b>33 359</b>	<b>6 729 672</b>
<b>Non controlling interest</b>	-	-	(167 612)	(566)	-	(168 178)
<b>Foreign exchange differences</b>	-	-	106 247	173 865	-	280 112
<b>Total disposal consideration - cash</b>	<b>735 428</b>	<b>438 708</b>	<b>85 959</b>	<b>6 492 494</b>	<b>101 918</b>	<b>7 854 507</b>
<b>Gain/(loss) on disposal</b>	<b>126 592</b>	<b>181 464</b>	<b>(39 465)</b>	<b>675 751</b>	<b>68 559</b>	<b>1 012 901</b>
<b>Net cash</b>						
Cash received	685 428	438 708	85 959	-	101 918	1 312 013
Less: Cash and cash equivalents balance of disposed subsidiaries	(19 262)	(7 736)	(30 013)	(62 633)	(3 376)	(123 020)
<b>Net cash received on sale</b>	<b>666 166</b>	<b>430 972</b>	<b>55 946</b>	<b>(62 633)</b>	<b>98 542</b>	<b>1 188 993</b>



### 6. Loss of control over subsidiary

The directors of Surgical Innovations (Pty) Ltd opted to initiate business rescue proceedings in the current year as a means to continue operating the company as a going concern and to restore its solvency. The business rescue plan was preliminarily approved by creditors for implementation subsequent to year end.

After assessing the requirements of IFRS 10 together with the relevant Companies Act provisions applicable to the business rescue process, the directors have determined that the Ascendis Group no longer meets the requirements for 'control' over Surgical Innovations and as a result it has been deconsolidated as from 12 May 2023, being the date of 'loss of control'.

The loss of control is not as a result of the Group divesting or disposing of its equity interests in Surgical Innovations (Pty) Ltd, therefore the Group has recognised the loss of control over the subsidiary in accordance with the requirements of IFRS 10.

Subsequent to year end, the creditors of Surgical Innovations (Pty) Ltd voted in favor of the proposed business rescue plan by way of a simple majority. The approved business rescue plan is being implemented by the Business Rescue Practitioner with the aim of finalising the process as soon as possible. It is highly likely that Ascendis will reassume control in terms of IFRS 10 subsequent to year end. Refer to note 33 for more information.

Ascendis retains 100% of the equity in Surgical Innovations which has been subsequently recorded at a fair value of nil on the basis of its negative equity position on the date that control was lost.

The total revenue contributed to the group by Surgical Innovations for the 11 months, before the deemed disposal was R276million. If the full 12 months of trading was consolidated, the revenue included in the group results would be R321million.

The carrying amount of assets and liabilities on the date when control was lost over Surgical Innovations (Pty) Ltd:

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 6. Loss of control over subsidiary (continued)

	2023 R'000 Surgical Innovations
Property, plant and equipment	33 203
Intangible assets and goodwill	-
Right-of-use assets	83 999
Deferred tax assets	-
Current income tax receivable	5 213
Inventories	64 403
Trade and other receivables	67 586
Other financial assets	-
Cash and cash equivalents	8 774
<b>Total assets</b>	<b>263 178</b>
Lease liabilities	(123 888)
Trade and other payables	(208 931)
Provisions	(3 716)
Current income tax payable	-
<b>Total liabilities</b>	<b>(336 535)</b>
<b>Carrying amount of net asset disposed</b>	<b>(73 357)</b>
<b>Total disposal consideration - cash/ debt set off</b>	<b>-</b>
<b>Gain on disposal</b>	<b>73 357</b>
<b>Net cash</b>	
Cash received	-
Less: Cash and cash equivalents balance of disposed subsidiaries	(8 774)
<b>Net cash received on sale</b>	<b>(8 774)</b>

#### Loans with related parties

Relates to the intercompany loans between Ascendis group companies and Surgical Innovations (Pty) Ltd. As a result of the loss of control over the subsidiary, the outstanding loans as at the deemed disposal date have been recognised in the Ascendis results as a receivable. It has however been recognised at a fair value of nil as the acquired asset was credit impaired on initial recognition.

	2023 R'000
As at 1 July	-
Loans receivable from Surgical Innovations (Pty) Ltd	614 696
Loss allowance recognised against outstanding balance	(614 696)
<b>As at 30 June</b>	<b>-</b>

### 7. Group segmental analysis

After the divestment of the Pharma segment on 31 October 2022, the group has two reportable segments remaining, namely its Medical Devices and Consumer Health segments. These are the 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 4 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, Skin and Body as well as all of the Ascendis over-the-counter (OTC) and complementary and alternative consumer products. This division includes two reportable segments:
  - **Consumer Health Africa segment:** operating predominantly in the South African market. Ascendis Skin and Body was divested on 31 May 2022. The Ascendis Skin and Body business unit which is a part of the Consumer Health segment was disclosed as a discontinued operation in the 2022 financial year because it is a major separate line of business.
  - **Sun Wave segment:** operating predominantly in Romania, the segment was disclosed as a discontinued operation in the 2022 financial year. The segment was divested on 31 October 2021.
- **Pharma**, incorporating Ascendis' pharmaceutical products. This division includes two reportable segments:
  - **Pharma Africa segment:** operating predominantly in the South African market. The segment has been disclosed as a discontinued operation in the current financial year and was divested on 31 October 2022.
  - **Remedica segment:** operating predominantly in the European market, the segment was disclosed as a discontinued operation. The segment was divested on 31 October 2021.
- **Medical Devices**, incorporating the supply of medical devices and consumables. The segment is operating predominantly in the South African market. The RCA business unit within the medical segment was disclosed as a discontinued operation in the 2022 financial year because it represents a separate major line of business. The RCA business unit was divested on 31 October 2021.
- **Animal Health**, incorporating manufacturing and distribution of animal health products. The segment is operating predominantly in the South African market and was disclosed as a discontinued operation in the 2022 financial year. The segment was divested on 30 November 2021.

The head office is not an operating segment as it includes all costs incurred at a group level. The head office houses all group support functions including group executives, group finance, group treasury, group communications, group IT, company secretarial and human resources. In line with the decentralization process, these functions have been materially reduced by year end. Any other remaining businesses that do not qualify as a separately reportable segment have been grouped in the other segments category.

There was no material inter-segment revenue.

The results of the divested entities are included up to the respective date of divestment.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 7. Group segmental analysis (continued)

Revenue split by segment	2023 R'000	2022 R'000
Consumer Health	468 954	1 079 772
Africa <sup>(1)</sup>	468 954	637 613
Sun Wave	-	442 159
Pharma	141 062	941 466
Africa	141 062	383 777
Remedica	-	557 689
Medical Devices <sup>(2)</sup>	1 066 483	1 189 545
Animal Health	-	266 560
Less: Discontinued operations	(141 062)	(1 917 885)
<b>Total revenue</b>	<b>1 535 437</b>	<b>1 559 458</b>

#### Revenue by geographical location

South Africa	1 676 499	2 477 495
Cyprus	-	557 689
Romania	-	442 159
Less: Discontinued operations	(141 062)	(1 917 885)
<b>Total revenue</b>	<b>1 535 437</b>	<b>1 559 458</b>

<sup>(1)</sup> For 2022, the revenue includes amounts relating to Ascendis Skin and Body of R74 million.

<sup>(2)</sup> For 2022, the revenue includes amounts revenue relating to RCA of R194 million.

#### Revenue by customer destination

Africa	1 675 500	2 522 461
South Africa	1 585 394	2 360 235
Rest of Africa	90 106	162 226
Europe	941	808 376
Romania	-	446 802
Spain	-	1 275
Germany	-	23 295
Hungary	-	2 036
France	-	52 776
Cyprus	-	95 070
Other	941	187 123
Asia Pacific	-	98 424
Asia	-	90 641
Australia	-	2 535
New Zealand	-	5 248
United Kingdom	58	8 543
South America	-	31 609
North America	-	5 903
Other	-	2 026
Less: Discontinued operations	(141 062)	(1 917 885)
<b>Total revenue</b>	<b>1 535 437</b>	<b>1 559 458</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 7. Group segmental analysis (continued)

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.

36% of the group's revenue is generated through the wholesale and retail market (2022: 28%), and 20% (2022: 4%) of the group's revenue is generated from government institutions. There is no customer concentration risk.

The group evaluates the performance of its reportable segments based on normalised EBITDA<sup>PM</sup> (earnings before interest, tax, depreciation, amortisation and impairments and further adjusted for the acquisition, integration and disposal of businesses, debt and capital restructuring costs, restructuring and retrenchment costs). The financial information of the group's reportable segments is reported to the Executive Committee (EXCO) for purposes of making decisions about allocating resources to the segment and assessing its performance. The percentage disclosed represents the normalised EBITDA<sup>PM</sup>/revenue margin.

Normalised EBITDAPM split by segment	2023		2022	
	R'000	%	R'000	%
Consumer Health	(7 747)	-2%	242 968	23%
Africa <sup>(1)</sup>	(7 747)	-2%	74 712	12%
Sun Wave	-		168 256	38%
Pharma	33 875	24%	188 159	18%
Africa	33 875	24%	52 926	14%
Remedica	-		135 233	24%
Medical Devices <sup>(2)</sup>	2 070	0%	92 107	8%
Animal Health	-		68 378	6%
Head office	(53 626)		(95 565)	
Less: Discontinued operations	(33 874)	24%	(482 799)	25%
<b>Total normalised EBITDA<sup>PM</sup></b>	<b>(59 302)</b>	<b>-4%</b>	<b>13 248</b>	<b>1%</b>

<sup>(1)</sup> For 2022, the amount includes R11 million relating to Ascendis Skin and Body.

<sup>(2)</sup> For 2022, the amounts include R47 million relating to RCA.

Reconciliation of normalised EBITDA <sup>PM</sup> to consolidated results	Notes	2023 R'000	2022 R'000
<b>Consolidated loss before taxation from continuing operations</b>		<b>(284 607)</b>	<b>(795 392)</b>
Finance income	11	(9 519)	(6 699)
Finance expense	11	68 118	484 649
Total impairment, amortisation and depreciation <sup>(1)</sup>		205 215	249 628
<b>EBITDA</b>		<b>(20 793)</b>	<b>(67 814)</b>
Total transaction and restructuring related costs	10	(38 509)	81 062
<b>Total normalised EBITDA<sup>PM</sup> attributable to the parent</b>		<b>(59 302)</b>	<b>13 248</b>

<sup>(1)</sup> Refer to note 13, note 14 and note 15 for the total impairment, depreciation and amortisation amount.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 7. Group segmental analysis (continued)

Net finance cost split by segment	2023 R'000		2022 R'000	
	Finance income	Finance expense	Finance income	Finance expense
Consumer Health	55	(3 215)	33	(1 650)
Pharma	89	(286)	772	(10 273)
Africa	89	(286)	523	(751)
Remedica	-	-	249	(9 522)
Medical Devices	238	(34 459)	882	(26 575)
Animal Health	-	-	53	540
Head Office	9 222	(30 444)	5 805	(456 885)
Less: Discontinued operations	(85)	286	(846)	10 194
<b>Total finance income/(cost)</b>	<b>9 519</b>	<b>(68 118)</b>	<b>6 699</b>	<b>(484 649)</b>

Finance income and finance costs are managed centrally through the group's treasury function housed within Ascendis Financial Services SA.

Tax expense split by segment	2023 R'000	2022 R'000
Consumer Health	1 039	18 127
Africa	1 039	(4 979)
Sun Wave	-	23 106
Pharma	7 533	8 415
Africa	7 533	7 866
Remedica	-	549
Medical Devices	832	5 574
Animal Health	-	16 998
Head office	(236)	(43 632)
Less: Discontinued operations	(7 533)	(42 785)
<b>Total consolidated tax (credit)/expense</b>	<b>1 635</b>	<b>(37 303)</b>

Depreciation and amortisation split by segment	2023 R'000	2022 R'000
Consumer Health	23 964	44 880
Africa	23 964	26 650
Sun Wave	-	18 230
Pharma	689	32 199
Africa	689	3 785
Remedica	-	28 414
Medical Devices	51 184	46 941
Animal Health	-	5 139
Head office	1 254	10 548
Less: Discontinued operations	(689)	(59 879)
<b>Total consolidated depreciation and amortisation</b>	<b>76 402</b>	<b>79 828</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 7. Group segmental analysis (continued)

	2023 R'000	2022 R'000
<b>Impairment split by segment</b>		
Consumer Health	52 669	-
Africa	52 669	-
Medical Devices	76 143	169 800
<b>Total consolidated depreciation and amortisation</b>	<b>128 812</b>	<b>169 800</b>

#### Statement of financial position

Assets and liabilities split by segment	2023 R'000		2022 R'000	
	Assets	Liabilities	Assets	Liabilities
Consumer Health	323 017	(107 014)	453 485	(93 417)
Africa	323 017	(107 014)	453 485	(93 417)
Pharma	-	-	160 889	(83 123)
Africa	-	-	160 889	(83 123)
Medical Devices	581 992	(229 423)	784 830	(455 284)
Head office	65 702	(71 377)	278 394	(643 971)
<b>Total consolidated assets and (liabilities)</b>	<b>970 711</b>	<b>(407 814)</b>	<b>1 677 598</b>	<b>(1 275 795)</b>

### 8. 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 in accordance with the SAICA Circular 1/2023.

#### 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.

The earnings per share from discontinued operations are not disclosed on the statement of profit or loss as this is not considered a KPI for the existing shareholders since the business is being sold or has been sold already.



# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 8. Earnings per share (continued)

	2023 R'000			2022 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
<b>(a) Basic (loss)/profit per share</b>						
(Loss)/Profit attributable to owners of the parent	(286 242)	361 564	75 322	(759 035)	1 208 235	449 200
<b>(Loss)/Profit</b>	<b>(286 242)</b>	<b>361 564</b>	<b>75 322</b>	<b>(759 035)</b>	<b>1 208 235</b>	<b>449 200</b>
Weighted average number of ordinary shares in issue <sup>(1)</sup>			606 241 387			479 808 959
<b>Basic (loss)/profit per share (cents)</b>	<b>(47.2)</b>	<b>59.6</b>	<b>12.4</b>	<b>(158.2)</b>	<b>251.8</b>	<b>93.6</b>
<b>(b) Headline (loss)/earnings per share</b>						
(Loss)/profit attributable to owners of the parent	(286 242)	361 564	75 322	(759 035)	1 208 235	449 200
<i>Adjusted for:</i>						
Net (profit)/loss on the sale of property, plant and equipment	(9 172)	-	(9 172)	2 369	(207)	2 162
Tax effect	2 476	-	2 476	(739)	-	(739)
(Profit)/loss on loss of control over subsidiary/disposal of subsidiary	(73 357)	(350 184)	(423 541)	51	(1 012 901)	(1 012 850)
Tax effect	-	-	-	(18)	4 514	4 496
Goodwill, intangible asset and tangible asset impairment	128 812	-	128 812	169 800	-	169 800
Tax effect	(14 314)	-	(14 314)	-	-	-
Impairment of loan	2	-	2	127	-	127
<b>Headline (loss)/earnings</b>	<b>(251 795)</b>	<b>11 380</b>	<b>(240 415)</b>	<b>(587 445)</b>	<b>199 641</b>	<b>(387 804)</b>
Weighted average number of shares in issue <sup>(1)</sup>			606 241 387			479 808 959
<b>Headline (loss)/earnings per share (cents)</b>	<b>(41.5)</b>	<b>1.9</b>	<b>(39.7)</b>	<b>(122.4)</b>	<b>41.6</b>	<b>(80.8)</b>

<sup>(1)</sup> The comparative weighted average number of shares has been retrospectively restated for the Rights Offer that was completed during the current period.

### 9. Revenue

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

#### 1. Revenue from contracts with customers

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

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

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

#### 1.1 Sale of goods – wholesale

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

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

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

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

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

### 9. Revenue (continued)

#### 1.1 Sale of goods – wholesale (continued)

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

#### 1.2 Sale of goods – equipment

The group sells medical equipment directly to end customers. Revenue is recognised at a point in time, when control of the equipment has transferred, being when the equipment is delivered to the customer.

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

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

#### 1.3 Sale of services – maintenance of equipment

The group provides maintenance services for the equipment that has been purchased by the customer as a separate service. Alternatively, the group offers an assurance-type warranty for the maintenance of the purchased equipment. Maintenance is considered to be a distinct service as it is both regularly supplied by the group to customers on a standalone basis and is available for customers from other providers in the market. A portion of the transaction price is allocated to maintenance service based on the standalone selling prices of the components. The group recognises a contract liability for the services that have not been performed at year end. Refer to note 23 for the balance of the warranty liability as at 30 June 2023.

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

#### Significant judgement and estimates in revenue recognition

Management has to apply estimation in the determination of discounts and return assets and liabilities. The items are estimated based on the historical experience and expected value method. Management applies significant judgement and estimation in the determination of the transaction price. The amount of revenue recognised is based on the transaction price, which is the amount of consideration the group expects to be entitled to for supplying the product or service. Variable consideration is estimated based on the most likely amount to be received (or paid) and to the extent that it does not result in a significant reversal of revenue.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 9. Revenue (continued)

#### Financing component

The group does not consider contracting on settlement terms exceeding 12 months as aligned to its risk policy and the absence of commercial sense to do so. Arrangements of this nature would be assessed and accepted on a case by case basis in the event of presenting themselves to the group.

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

#### 2. Revenue from rental income

The group enters into operating lease arrangements where it places medical equipment at the customer for no cost and the customer is required to purchase the consumables from the group to be used exclusively with the capital equipment. The company recognises revenue from the use of equipment as operating lease income. There are no minimum purchase quantity arrangements in place and as such, all revenue received from the sale of consumables is recognised as rental income when the risks and rewards over all the consumables have been transferred to the customer. Due to the variable nature of the rental income, a maturity analysis of the rental income receivable in future periods is not disclosed.

The related medical equipment is included as part of property, plant and equipment as per the accounting policy.

The breakdown of revenue from all activities is as follows:

Revenue	2023 R'000	2022 R'000
<b>Revenue from contracts with customers<sup>(1)</sup></b>		
Sale of goods - wholesale	1 311 057	1 338 317
Sale of equipment	108 097	104 775
Rendering of service	19 725	16 627
	<b>1 438 879</b>	<b>1 459 719</b>
<b>Timing of revenue: revenue from contracts with customers</b>		
<b>Consumer Health</b>		
Products transferred at a point in time	468 953	563 903
Services transferred over time	-	-
<b>Medical</b>		
Products transferred at a point in time	950 201	879 189
Services transferred over time	19 725	16 627
	<b>1 438 879</b>	<b>1 459 719</b>
<b>Rental income - Medical segment</b>	<b>96 558</b>	<b>99 739</b>
<b>Total revenue</b>	<b>1 535 437</b>	<b>1 559 458</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 10. Other income and expenses by nature

Operating loss includes other income and expenses as detailed in this note.

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

	<b>2023</b>	<b>2022</b>
	<b>R'000</b>	<b>R'000</b>
<b>Other income</b>		
Rental income <sup>(1)</sup>	732	15 826
Profit on the disposal of property, plant and equipment	9 399	275
Other income	2 841	1 133
Profit on loss of control over Surgical Innovations <sup>(2)</sup>	73 357	-
	<b>86 329</b>	<b>17 234</b>

	<b>R'000</b>	<b>R'000</b>
<b>Expenses by nature</b>		
Administration costs	83 993	131 678
Advertising and promotions	51 763	32 320
Depreciation and amortisation	70 305	73 513
Distribution costs	38 578	38 174
Employee benefit expenses	323 948	338 427
Net impairment loss on financial assets	3 232	1 110
Foreign exchange loss	17 083	13 457
Travelling costs	13 098	8 724
SARS VAT dispute <sup>(3)</sup>	53 046	-
Other expenses	52 453	25 950
Selling costs	45 708	58 195
	<b>753 207</b>	<b>721 548</b>
<b>Cost of goods sold</b>	<b>930 906</b>	<b>921 724</b>
Transaction and restructuring related costs <sup>(4)</sup>	34 848	81 062
Net impairment loss on assets <sup>(5)</sup>	128 813	169 800
	<b>163 661</b>	<b>250 862</b>

<sup>(1)</sup> Rental income relates to the other items that are being leased other than medical equipment as per the Revenue Note 9.

<sup>(2)</sup> Refer to the loss of control of subsidiary note 6 for further details regarding the deemed disposal of Surgical Innovations. The entity has not been recognised a discontinued operation, and therefore the profit and loss of the entity is accounted for as part of continuing operations until the disposal date.

<sup>(3)</sup> This relates to a VAT assessment received by Surgical Innovations from the South African Revenue Service in respect of its 2018; 2019 & 2020 years of assessment. The assessment imposed an additional VAT liability including interest and penalties on the company. A formal objection and dispute process was initiated with SARS which was rejected. Surgical Innovations subsequently entered into business rescue (refer note 6) and the amount due to SARS will be dealt with in terms of the business rescue process.

<sup>(4)</sup> Transaction and restructuring related costs relate to the debt restructuring and disposal processes. A further R13.7 million (30 June 2022: R254.1 million), is included under discontinued operations.

<sup>(5)</sup> Refer to the intangible asset note 15 and the property, plant and machinery note 13, for further details regarding impairment of non-financial assets.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 11. Finance income and costs

#### Finance costs

Finance costs comprise interest expense on interest bearing financial instruments, lease liabilities, debt facilities, deferred vendor liabilities, amortisation of debt capitalisation fees. All borrowing costs are recognised in profit or loss using the effective interest method.

#### Finance income

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

	Financial instrument class	2023 R'000	2022 R'000
<b>Finance cost</b>			
Interest on term debt facilities	Amortised cost	26 566	427 108
Incurred up to group recapitalisation		-	361 609
Facilities F,G1,G2 & G3		-	15 667
Apex/PharmaQ Facility		-	31 769
Default interest		-	10 034
Austell Facility		26 566	8 029
Debt raising fees	Amortised cost	-	18 975
Lease liabilities	Amortised cost	17 204	22 662
Other finance costs	Amortised cost	5 652	6 418
Interest on deferred vendor liabilities	Amortised cost	-	4 139
SARS interest	Amortised cost	18 696	5 347
		<b>68 118</b>	<b>484 649</b>
<b>Finance income</b>			
Bank interest	Amortised cost	6 335	4 383
Other finance income	Amortised cost	3 184	2 316
		<b>9 519</b>	<b>6 699</b>
<b>Net finance costs</b>			
		<b>58 599</b>	<b>477 950</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 12. Income tax expense

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

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

	2023	2022
	R'000	R'000
<b>Major components of the tax expense</b>		
<b>Current Tax</b>		
Current tax on profits for the period	2 343	1 669
Recognised in current tax for prior periods	11 717	3 356
	<b>14 060</b>	<b>5 025</b>
<b>Deferred Tax</b>		
Originating and reversing temporary differences	(12 907)	(41 143)
Measurement period adjustment	482	(1 185)
	<b>(12 425)</b>	<b>(42 328)</b>
<b>Total income tax expense/(credit)</b>	<b>1 635</b>	<b>(37 303)</b>
<b>Income tax expense attributable to:</b>	<b>R'000</b>	<b>R'000</b>
Profit/(loss) from continuing operations	1 635	(37 303)
Profit from discontinued operations	7 533	16 678
	<b>9 168</b>	<b>(20 625)</b>
	<b>2023</b>	<b>2022</b>
<b>Tax at the South Africa corporate tax rate</b>	<b>27.00%</b>	<b>28.00%</b>
Amortisation	-2.86%	1.24%
Impairment	-12.22%	-5.98%
Prior year over/under provisions	1.34%	-0.27%
Utilisation of tax losses/Limitation of deferred tax assets on tax losses <sup>(1)</sup>	-19.04%	-23.26%
Donations	-0.05%	-0.07%
Deregistration of subsidiaries	0.00%	2.00%
Foreign adjustment to tax base	0.00%	6.54%
Learnerships	0.16%	0.00%
Other disallowable charges <sup>(2)</sup>	1.83%	-2.41%
Fines and Penalties	1.09%	-0.44%
Other non-taxable income	-4.54%	-0.55%
Change in tax rate	-0.26%	-0.11%
<b>Average effective tax rate</b>	<b>-0.57%</b>	<b>4.69%</b>

<sup>(1)</sup> Relates to the limitation of deferred tax assets on tax losses of R200.7million (30 June 2022: R660.7 million).

<sup>(2)</sup> This includes various potentially disallowable costs.

### 13. Property, plant and equipment

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

All other plant and equipment are measured at historical cost less accumulated depreciation and impairment.

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

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

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

i) Measured at fair value (land and buildings only)

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

ii) Measured at historical cost (plant and equipment)

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

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



# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 13. Property, plant and equipment (continued)

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

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

Assessment of the useful lives is based on the management's estimates taking into account historical experience with similar assets, expected usage of the asset, physical wear and tear, technical and commercial obsolescence and legal restrictions on the use of the assets. Due to the unique nature of the medical equipment the residual value thereof is mostly nil, following from legal restrictions in selling the used medical equipment. Land is not depreciated.

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

<b>Asset Category</b>	<b>2023 Years</b>	<b>2022 Years</b>
Buildings	<b>25 – 50</b>	25 – 50
Land <sup>(1)</sup>	<b>indefinite</b>	indefinite
Plant and machinery – owned	<b>5 – 16</b>	5 – 16
Office furniture	<b>5 – 7</b>	5 – 7
Motor vehicles – owned	<b>3 – 6</b>	3 – 6
Computers	<b>3 – 7</b>	3 – 7
Leased assets <sup>(2)</sup>	<b>2 – 10</b>	2 – 10
Leasehold improvements <sup>(3)</sup>	<b>3 – 10</b>	3 – 10

<sup>(1)</sup> Land does not get depreciated.

<sup>(2)</sup> Leased assets are disclosed separately as right of use assets, refer to note 14.

<sup>(3)</sup> Depreciated over the shorter of useful life and lease period.

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

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 30 June 2023

R'000	Land and buildings	Plant and machinery	Office furniture	Motor vehicles	Computers	Leasehold improvements	Capital work in progress <sup>(1)</sup>	Total
<b>Opening balance</b>								
Cost or revaluation	62 041	389 248	32 125	831	13 764	9 603	12 126	519 738
Accumulated depreciation and impairment	(522)	(259 062)	(18 814)	(457)	(4 656)	(4 836)	-	(288 347)
<b>Net book value as at 30 June 2022</b>	<b>61 519</b>	<b>130 186</b>	<b>13 311</b>	<b>374</b>	<b>9 108</b>	<b>4 767</b>	<b>12 126</b>	<b>231 391</b>
Additions	-	18 080	3 114	-	1 328	13 204	-	35 726
Revaluation	(19 044)	-	-	-	-	-	-	(19 044)
Loss of control over business <sup>(2)</sup>	-	(22 714)	(2 577)	(140)	(5 340)	(2 432)	-	(33 203)
Disposals	-	(12 534)	(48)	-	(12)	(302)	(7 611)	(20 507)
Impairments and scrapping <sup>(3)</sup>	(7 293)	(63 350)	-	-	-	-	-	(70 643)
Transfers between asset categories	-	7 886	-	-	-	(6 781)	(1 105)	-
Transfers from inventory <sup>(4)</sup>	-	35 878	-	-	-	-	-	35 878
Transfers to disposal group classified as assets held for sale	-	(2 562)	-	-	-	-	-	(2 562)
Depreciation	(182)	(28 013)	(4 918)	(205)	(2 620)	(1 591)	-	(37 529)
<b>Net book value as at 30 June 2023</b>	<b>35 000</b>	<b>62 857</b>	<b>8 882</b>	<b>29</b>	<b>2 464</b>	<b>6 865</b>	<b>3 410</b>	<b>119 507</b>
<b>Made up as follows:</b>								
Cost or revaluation	35 000	130 677	22 234	691	8 129	9 135	3 410	209 276
Accumulated depreciation and impairment	-	(67 820)	(13 352)	(662)	(5 665)	(2 270)	-	(89 769)
<b>Net book value as at 30 June 2023</b>	<b>35 000</b>	<b>62 857</b>	<b>8 882</b>	<b>29</b>	<b>2 464</b>	<b>6 865</b>	<b>3 410</b>	<b>119 507</b>

<sup>(1)</sup> Capital work in progress relates to manufacturing assets that are not yet available for use.

<sup>(2)</sup> Relates to the loss of control over Surgical Innovations. Refer to note 6 for more information.

<sup>(3)</sup> Refer to note 15 for detailed impairment disclosure.

<sup>(4)</sup> Transfer of demonstration equipment from inventory to plant and machinery in the Surgical Innovations business, once its been placed as rental equipment. Inventory is reclassified to plant and machinery at the carrying value.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 30 June 2022

R'000	Land and buildings	Plant and machinery	Office furniture	Motor vehicles	Computers	Leasehold improvements	Capital work in progress <sup>(1)</sup>	Total
<b>Opening balance</b>								
Cost or revaluation	62 581	365 314	32 574	781	11 634	6 882	8 843	488 609
Accumulated depreciation and impairment	(881)	(262 978)	(16 577)	(12)	(4 006)	(3 649)	-	(288 105)
<b>Net book value as at 1 July 2021</b>	<b>61 700</b>	<b>102 336</b>	<b>15 997</b>	<b>769</b>	<b>7 628</b>	<b>3 234</b>	<b>8 843</b>	<b>200 505</b>
Additions	-	42 354	2 973	-	5 045	2 808	3 076	56 256
Disposals	-	(9 233)	(6)	-	(28)	-	-	(9 267)
Transfers between asset categories	-	(259)	22	-	29	-	208	-
Transfers from inventory <sup>(2)</sup>	-	10 972	-	-	44	-	-	11 016
Transferred to disposal group classified as assets held for sale	1	(310)	(568)	(133)	(581)	(5)	(1)	(1 597)
Depreciation	(182)	(15 672)	(5 107)	(262)	(3 029)	(1 270)	-	(25 522)
<b>Net book value as at 30 June 2022</b>	<b>61 519</b>	<b>130 186</b>	<b>13 311</b>	<b>374</b>	<b>9 108</b>	<b>4 767</b>	<b>12 126</b>	<b>231 391</b>
<b>Made up as follows:</b>								
Cost or revaluation	62 041	389 248	32 125	831	13 763	9 603	12 126	519 737
Accumulated depreciation and impairment	(522)	(259 062)	(18 814)	(457)	(4 655)	(4 836)	-	(288 346)
<b>Net book value as at 30 June 2022</b>	<b>61 519</b>	<b>130 186</b>	<b>13 311</b>	<b>374</b>	<b>9 108</b>	<b>4 767</b>	<b>12 126</b>	<b>231 391</b>

<sup>(1)</sup> Capital work in progress relates to manufacturing assets that are not yet available for use.

<sup>(2)</sup> Transfer of demonstration equipment from inventory to plant and machinery once its been placed as rental equipment.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 13. Property, plant and equipment (continued)

#### Fair value of land and buildings

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

As a result of the impending winding down of the internal manufacturing operations of Ascendis Supply Chain, management has performed an internal fair value assessment as at 30 June 2023, resulting in a downward revaluation of the land and buildings as noted below.

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

	2023 R'000	2022 R'000
Opening balance	61 518	61 700
Impairment	(7 292)	-
Revaluation loss	(19 044)	-
Depreciation for the period	(182)	(182)
<b>Closing balance</b>	<b>35 000</b>	<b>61 518</b>

The table below represents the key unobservable inputs included in the revaluation of property in 2023 as well as the carrying amount that would have been recognised had the assets been carried under the cost model.

Property	Rent/m <sup>2</sup>	Growth rate	Capitalisation rate	2023	2022
				R'000 Carrying value under cost model	R'000 Carrying value under cost model
Consumer Health Africa - Erf 1114 & 1115	R2 321 - R2 650	3%	14%-16%	33 905	34 725

### 14. Right-of-use assets

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

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

The group recognises right-of-use assets and lease liabilities (Note 24) at the lease commencement date for most leases. However, the group has elected not to recognise right-of-use assets and lease liabilities for some of the low value lease assets and for short-term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The group defines low value leases as leases of assets for which the value of the underlying asset when it is new is R50 000 or less and is not considered fundamental to the group's operations. The group recognises the lease payments associated with these leases as an expense directly in the income statement.

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

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

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

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 14. Right of use of assets (continued)

#### Reconciliation of right of use of assets - 30 June 2023

R'000	Land and buildings	Plant and machinery owned	Office furniture	Motor vehicles owned	Total
<b>Opening balance</b>					
Cost or revaluation	156 360	39 946	994	-	197 300
Accumulated depreciation and impairment	(49 845)	(31 297)	(726)	-	(81 868)
<b>Net book value as at 1 July 2022</b>	<b>106 515</b>	<b>8 649</b>	<b>268</b>	<b>-</b>	<b>115 432</b>
Additions	5 416	2 467	-	-	7 883
Re-measurement	-	-	(113)	-	(113)
Disposals	-	(3 457)	-	-	(3 457)
Loss of control over business <sup>(1)</sup>	(83 999)	-	-	-	(83 999)
Depreciation	(15 653)	(2 437)	(109)	-	(18 199)
<b>Net book value as at 30 June 2023</b>	<b>12 279</b>	<b>5 222</b>	<b>46</b>	<b>-</b>	<b>17 548</b>
<b>Made up as follows:</b>					
Cost or revaluation	19 992	38 799	285	-	59 076
Accumulated depreciation and impairment	(7 712)	(33 577)	(239)	-	(41 528)
<b>Net book value as at 30 June 2023</b>	<b>12 279</b>	<b>5 222</b>	<b>46</b>	<b>-</b>	<b>17 548</b>

<sup>(1)</sup> Relates to the loss of control of Surgical Innovations. Refer to note 6 for more information.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 14. Right of use of assets (continued)

#### Reconciliation of right of use of assets - 30 June 2022

R'000	Land and buildings	Plant and machinery owned	Office furniture	Motor vehicles owned	Total
<b>Opening balance</b>					
Cost or revaluation	209 283	33 589	994	-	243 866
Accumulated depreciation and impairment	(60 813)	(24 937)	(441)	-	(86 190)
<b>Net book value as at 1 July 2021</b>	<b>148 470</b>	<b>8 652</b>	<b>553</b>	<b>-</b>	<b>157 675</b>
Additions	9 303	6 357	-	2 440	18 100
Disposals	(18 363)	-	-	(339)	(18 702)
Transfers between asset categories	-	-	-	3	3
Transferred to disposal group classified as assets held for sale	(5 694)	-	-	(2 080)	(7 774)
Foreign exchange movements	(0)	-	-	(24)	(24)
Depreciation	(27 200)	(6 360)	(286)	-	(33 846)
<b>Net book value as at 30 June 2022</b>	<b>106 515</b>	<b>8 649</b>	<b>268</b>	<b>-</b>	<b>115 432</b>
<b>Made up as follows:</b>					
Cost or revaluation	156 360	39 946	994	-	197 300
Accumulated depreciation and impairment	(49 845)	(31 297)	(726)	-	(81 868)
<b>Net book value as at 30 June 2022</b>	<b>106 515</b>	<b>8 649</b>	<b>268</b>	<b>-</b>	<b>115 432</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 15. Intangible assets and goodwill

#### (a) Goodwill

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

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

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

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

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

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



# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 15. Intangible assets and goodwill (continued)

#### Impairment

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

Impairment losses are allocated first to goodwill to reduce the carrying amount of any goodwill allocated to the CGU and then allocated to all other assets on a pro-rata basis.

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

#### Intangible assets and goodwill - 2023

R'000	Goodwill <sup>(1)</sup>	Brands and trademarks	Licences and computer software	Customer relationships	Contractual agreements <sup>(2)</sup>	Total
<b>Opening balance</b>						
Cost	876 413	85 818	40 638	307 886	16 496	1 327 251
Accumulated amortisation and impairment	(876 413)	(60 956)	(22 042)	(235 036)	(16 496)	(1 210 943)
<b>Carrying value as at 1 July 2022</b>	-	<b>24 862</b>	<b>18 596</b>	<b>72 850</b>	-	<b>116 308</b>
Additions	-	107	16	-	-	123
Amortisation	-	(3 729)	(6 547)	(10 398)	-	(20 674)
Impairment <sup>(3)</sup>	-	(15 474)	-	(42 696)	-	(58 170)
<b>Carrying value as at 30 June 2023</b>	-	<b>5 766</b>	<b>12 065</b>	<b>19 756</b>	-	<b>37 587</b>
<b>Made up as follows:</b>						
Cost	609 777	81 775	40 654	198 203	16 496	946 905
Accumulated amortisation and impairment	(609 777)	(76 009)	(28 589)	(178 447)	(16 496)	(909 318)
<b>Carrying value as at 30 June 2023</b>	-	<b>5 766</b>	<b>12 065</b>	<b>19 756</b>	-	<b>37 587</b>

<sup>(1)</sup> The reduction in cost and accumulated impairment of Goodwill relates to fully impaired Goodwill disposed during the year.

<sup>(2)</sup> Contractual agreements have been fully amortised and impaired, therefore there is no amortisation disclosed.

<sup>(3)</sup> Impairment of Brands and Trademarks relates to the Consumer segment. The impairment of the Customer Relationships relates to the Medical segment.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 15. Intangible assets and goodwill (continued)

#### Intangible assets and goodwill - 2022

R'000	Goodwill	Brands and trademarks	Licence and computer software	Customer relationships	Contractual agreements	Drug masterfiles	Total
<b>Opening balance</b>							
Cost	996 330	109 475	40 652	307 886	16 496	143 582	1 614 421
Accumulated amortisation and impairment	(826 421)	(79 155)	(15 609)	(224 638)	(16 496)	(88 436)	(1 250 755)
<b>Carrying value as at 30 June 2021</b>	<b>169 909</b>	<b>30 320</b>	<b>25 043</b>	<b>83 248</b>	-	<b>55 146</b>	<b>363 669</b>
Additions	-	174	529	-	-	-	703
Businesses disposed	(109)	-	-	-	-	-	(109)
Transfers (to)/from disposal group classified as assets held for sale	-	(1 248)	(428)	-	-	(52 631)	(54 307)
Amortisation	-	(4 384)	(6 548)	(10 398)	-	(2 515)	(23 845)
Impairment	(169 800)	-	-	-	-	-	(169 800)
<b>Carrying value as at 30 June 2022</b>	<b>-</b>	<b>24 862</b>	<b>18 596</b>	<b>72 850</b>	-	-	<b>116 308</b>
<b>Made up as follows:</b>							
Cost	876 413	85 818	40 638	307 886	16 496	-	1 327 251
Accumulated amortisation and impairment	(876 413)	(60 956)	(22 042)	(235 036)	(16 496)	-	(1 210 943)
<b>Carrying value as at 30 June 2022</b>	<b>-</b>	<b>24 862</b>	<b>18 596</b>	<b>72 850</b>	-	-	<b>116 308</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 15. Intangible assets and goodwill (continued)

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

#### Summary of goodwill.

2022

R'000	Opening balance	Impairment	Closing balance
Medical Devices	169 909	(169 909)	-
<b>Total</b>	<b>169 909</b>	<b>(169 909)</b>	<b>-</b>

#### Individually material intangible assets

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

CGU	Reporting Segment	Intangible Asset	Carrying value		Remaining useful life	
			2023	2022	2023	2022
			R'000	R'000		
Ascendis Consumer Brands	Consumer Health	Brands and trademarks	-	18 538	10	11
Chempure	Consumer Health	Customer relationships	17 087	20 924	8	9
The Scientific Group	Medical Devices	Customer relationships	2 669	49 610	11	12
Ascendis Pharma	Pharma	Drug master files	-	51 277		18

#### Impairment tests for CGUs (Goodwill and Individually material intangible assets)

The group impaired assets of R128.8 million which is made up of R58.2 million intangible assets and R70.6 million property, plant and equipment. In 2022, the group impaired a goodwill balance of R169.8 million relating to The Scientific Group business unit.

The table below illustrates the total impairment for goodwill and intangible assets for each CGU:

30 June 2023		Carrying value	Recoverable amount	Impairment amount
CGU	Reporting Segment	R'000	R'000	R'000
The Scientific Group	Medical Devices	45 364	2 669	42 696
<b>Total impairments</b>				<b>42 696</b>

30 June 2022		Carrying value	Recoverable amount	Impairment amount
CGU	Reporting Segment	R'000	R'000	R'000
The Scientific Group	Medical Devices	226 352	59 630	169 800
<b>Total impairments</b>				<b>169 800</b>

### 15. Intangible assets and goodwill (continued)

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

As the group has already fully impaired all previously recognised goodwill, no further impairment assessment was performed in the current period. Details relating to the impairment assessment in the comparative period, specific to The Scientific Group is detailed below.

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

All assets and liabilities for the CGU have been considered when determining impairment. Ascendis has a robust budgeting process and the revenue growth rates have been assessed on a prudent basis with a key focus on cash generation. Cash flows in the budget and forecast years have been adjusted for the reversal of lease payments in terms of IFRS 16 Leases in the underlying budgets and notional capital expenditures estimated using the depreciation associated with the right-of-use assets have been included in the cash flows to accommodate either the renewal of the leases or the acquisition of the underlying assets.

Management applies judgement in determining a discount rate for each geography using published risk-free rates, a peer company systemic risk factor (beta) and a range of equity market risk premiums. Small stock premiums are applied to individual CGUs on an iterative basis. The group's cost of debt is an important element in determining the discount rate used. The peer companies' five-year average capital structure is applied to the individual elements of the discount rate. For CGUs impacted by IFRS 16 Leases, an adjustment is made to the discount rate to accommodate the incremental borrowing rate.

#### Assumptions

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

The main assumptions applied for The Scientific Group in 2023 and 2022 relates to forecasts from 2023 to 2027.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 15. Intangible assets and goodwill (continued)

	Sales volume & growth %	Other operating costs growth %	Annual capex & research and development (% of Sales)	Long- term growth rate %	Pre-tax discount rate %
<b>2023</b>					
The Scientific Group	6.0%	4.5%	2.7%	4.8%	23.4%
<b>2022</b>					
The Scientific Group	2.9%	1.5%	5.0%	4.8%	21.2%

#### Sensitivities

No sensitivities were performed on the 2022 impairments, as the full impairment relates to goodwill of The Scientific Group.

### 16. Other financial assets

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

The fair value of other financial assets equals its carrying value due to their short term in nature or carry interest at market related interest rates where recoverability is expected in excess of 12 months.

The other financial assets are denominated in South African Rands.

	2023 R'000	2022 R'000
<b>Other financial assets measured at amortised cost</b>		
Animal Health escrow receivable	-	51 001
Previous owners of Chempure t/a Solal	9 521	9 521
Investment Fund	4 132	4 008
Loans to directors and employees	7 040	32 072
Less: Expected credit loss allowance	(14 714)	(37 963)
	<b>5 979</b>	<b>58 639</b>
Current other financial assets	1 847	51 017
Non-current other financial assets	4 132	7 622
<b>Other financial assets</b>	<b>5 979</b>	<b>58 639</b>

### 16. Other financial assets (continued)

Other financial assets consist of the following receivables:

**Animal Health escrow receivable:** The amount in the escrow account was received in full during November 2022.

**Previous owners of Chempure t/a Solal:** Relates to amounts paid on behalf of the previous owners, Solal Trust and SA Academy, including PAYE on retrenchments and restraint of trade. This amount is currently due and payable and bears no interest. The full balance is currently credit-impaired as the counter-party is in default.

**Investment Fund:** Relates to a 16.69% (2022: 14.48%) s12J investment in a venture capital company, WDB Growth Fund (Pty) Ltd.

**Loans to directors and employees:** Relates to loans issued to a director and other previous key management staff. An additional R4.1 million expected credit loss allowance was recognised in current year. These loans were ceded to an external party in the current year.

Refer to the financial instruments credit risk disclosure, note 29.4 for further details on the credit risk management policies.

### 17. Deferred Tax

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences (where applicable) to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be used. Management applies judgement in determining whether sufficient future taxable profit will be available after considering factors such as historical profits, forecasts cash flows and budgets. Deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 17. Deferred Tax (continued)

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

	2023 R'000	2022 R'000
<b>The gross movement on deferred tax is as follows:</b>		
<b>Gross movement in the deferred income tax assets account:</b>		
Deferred tax asset	48 281	68 356
Deferred tax liability	(24 774)	(76 770)
Opening balance at the beginning of the year	23 507	(8 414)
Acquisition of entities	-	-
Deferred tax expense for the year	12 425	42 328
Transferred to assets and liabilities held for sale	-	(10 407)
<b>Closing balance at end of year</b>	<b>35 932</b>	<b>23 507</b>
Deferred tax assets <sup>(1)</sup>	44 031	48 281
Deferred tax liabilities	(8 099)	(24 774)
<b>Net deferred tax liability</b>	<b>35 932</b>	<b>23 507</b>
<b>The deferred tax balance is attributable to the following items:</b>		
Capital allowances	(5 002)	(5 035)
Intangible assets	-	(16 364)
Lease liability	4 735	1 893
Right-of-use asset	(4 271)	(1 835)
Expected credit loss allowance	-	4 782
Provisions	15 092	2 418
Taxation losses	23 581	36 181
Other	1 797	1 467
	<b>35 932</b>	<b>23 507</b>

<sup>(1)</sup> The group has recognized deferred tax assets to the extent of the expected future taxable profits in excess of the profits arising from the reversal of existing taxable temporary difference. Deferred tax assets of R888.2 million relating to tax losses accumulated have not been raised based on the assumption that there won't be sufficient taxable profits in the future against which to utilize the accumulated losses. The deferred tax asset recoverability assessment considers the probability of forecasted future taxable income, which may include future tax planning strategies.

### 18. Inventories

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

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

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

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

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

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

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

#### **Management's estimate on stock obsolescence provision is based on the following elements:**

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

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

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

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



# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 18. Inventories (continued)

	2023	2022
	R'000	R'000
Raw materials, components	34 501	41 517
Finished goods	307 970	305 331
Work in progress	8 240	8 654
Goods in transit	15 227	16 364
<b>Total inventories net of provision for impairment</b>	<b>365 938</b>	<b>371 866</b>

	2023	2022
	R'000	R'000
<b>Reconciliation of provision for impairment</b>		
Balance at the beginning of the year	(37 538)	(72 928)
Raised/(released) during the year	(12 135)	6 082
Utilised during the year	15 411	32 121
Transfer to disposal group classified as held for sale	333	(2 813)
Loss of control over business <sup>(1)</sup>	5 552	-
<b>Balance at the end of the year</b>	<b>(28 377)</b>	<b>(37 538)</b>

<sup>(1)</sup> Relates to the loss of control over Surgical Innovations. Refer to note 6 for more information.

#### Amounts recognised in profit or loss

Inventories written down for the year ended 30 June 2023 amounted to R31.2 million (2022: R52.5 million). These were recorded in cost of sales.

No reversals of previous inventory write-down's occurred during the year ended 30 June 2023.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 19. Trade and other receivables

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

The fair value of trade and other receivables equals its carrying value due to their short term in nature. The trade and other receivables are predominantly denominated in South African Rands and United States Dollar.

	2023 R'000	2022 R'000
<b>Financial assets</b>		
Trade receivables	233 034	279 476
Less: provision for impairment of trade receivables	(8 184)	(13 917)
Less: provision for credit notes	(528)	(1 203)
<b>Trade receivables - net</b>	<b>224 322</b>	<b>264 356</b>
Deposits	1 580	6 408
Other receivables <sup>(1)</sup>	18 133	23 374
Right of return asset	1 102	2 741
	-	-
<b>Non-financial assets</b>		
VAT	8 749	9 751
Prepayments	15 346	32 544
<b>Trade and other receivables</b>	<b>269 232</b>	<b>339 174</b>

<sup>1)</sup> Included in this balance is R17.6 million (30 June 2022: R16.2 million), that relates to accrued revenue for inventory sold but not yet invoiced.

The group considers a receivable amount in default when the debtor has exceeded their standard credit terms (30 to 90 days). The group assesses the recoverability of the individual debt and calculates expected credit loss allowance (ECL) percentage in terms of IFRS 9, refer to the credit risk section for further details on the credit risk management policies (Note 29).

### 20. Cash and cash equivalents

Cash and cash equivalents which include bank overdrafts (financial liabilities) are accounted for at amortised cost.

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

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

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 20. Cash and cash equivalents (continued)

Cash and cash equivalents consist of the following:

	2023 R'000	2022 R'000
Rand denominated bank balances	85 935	203 811
Foreign denominated bank balances	16 261	9 180
Cash on hand	35	29
<b>Cash and cash equivalents</b>	<b>102 231</b>	<b>213 020</b>
<b>Restricted cash included in cash and cash equivalents balance</b>		
Total return swap cash	18 709	41 560
Cash backed ancillary facilities	-	22 500
	<b>18 709</b>	<b>64 060</b>

Restricted cash includes cash that was being held as collateral for the total return swap (TRS) and ancillary facilities relating to the prior year. The TRS cash is used to settle the liability at each due date as outlined in Note 3.

On 23 May 2023, the group entered into a banking arrangement with RMB whereby the group was granted various facilities, including a general banking facility of R50 million, corporate and fuel card facilities of R7 million and a foreign exchange hedging facility of R25 million.

The above facilities are secured by a group cross suretyship in the amount of R82 million and a cession and pledge of any and all rights in and to the debtors, credit balances held with RMB and other receivables of the following entities:

- Ascendis Consumer Brands (Pty) Ltd
- Ascendis Financial Services (Pty) Ltd
- Ascendis Health Limited
- Cardio Tech (Pty) Ltd
- Chempure (Pty) Ltd
- Interv Med (Pty) Ltd
- Ortho-Xact (Pty) Ltd
- The Compounding Pharmacy of South Africa (Pty) Ltd
- The Scientific Group (Pty) Ltd

As at the reporting date, none of the covenants relating to the facility have been breached.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 21. Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are presented as current liabilities unless payment is due 12 months after the reporting date. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The fair value of trade and other payables equals its carrying value due to their short term in nature. The trade and other payables are predominantly denominated in South African Rands and United States Dollar and Euros.

	2023 R'000	2022 R'000
<b>Financial liabilities</b>		
Trade payables	189 439	254 585
Other payables <sup>(1)</sup>	23 513	33 272
Accrued expenses <sup>(2)</sup>	29 307	39 500
Ascendis Supply Chain advance payment <sup>(3)</sup>	18 282	-
<b>Non-financial liabilities</b>		
VAT	33 856	25 098
Accrued payroll expenses	19 444	71 105
<b>Trade and other payables</b>	<b>313 841</b>	<b>423 560</b>

<sup>(1)</sup> Included in this balance is R5 million relating to the group insurance financing arrangement.

<sup>(2)</sup> Included in accrued expenses are commission related costs of R2.7 million (2022: R7.3 million) and Goods in Transit related costs of R6.3 million (2022: R9.3 million).

<sup>(3)</sup> Advance payment received with regards to the Ascendis Supply Chain plant and machinery disposed after year end.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 22. Provisions

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

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

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

2023 R'000	Opening balance	Additions	Unused provision reversed	Utilised	Deemed business disposal	Transfer to assets held for sale	Closing balance
Other provisions	1 835	185	(49)	(326)	-	-	1 645
Leave pay provision	16 369	5 910	(515)	(9 266)	(3 261)	(247)	8 990
	<b>18 204</b>	<b>6 095</b>	<b>(564)</b>	<b>(9 592)</b>	<b>(3 261)</b>	<b>(247)</b>	<b>10 635</b>

2022 R'000	Opening balance	Additions	Unused provision reversed	Utilised	Foreign currency translation	Transfer to assets held for sale	Closing balance
Other provisions	21 052	6 511	(700)	(22 727)	(36)	(2 265)	1 835
Leave pay provision	24 852	9 262	(2 666)	(7 964)	5	(7 120)	16 369
	<b>45 904</b>	<b>15 773</b>	<b>(3 366)</b>	<b>(30 691)</b>	<b>(31)</b>	<b>(9 385)</b>	<b>18 204</b>

#### Other provisions

Other provisions consist of provisions for legal and other matters. The group has recognised provisions in respect of these matters based on estimates and the probability of outflow of economic benefits. The provision is expected to be utilised within the next 12 months.

#### Leave pay

Leave pay provision is recognised for all amounts related to leave not taken by employee during the financial period. The provision is measured based on the amount that would be payable to all employees who have outstanding leave as at reporting date. The provision is expected to be utilised over the next 12 months.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 23. Contract liability

#### Maintenance and rebate contract liability

Maintenance and rebate contract liabilities are an assurance-type liability which is recognised at the date of sale of the relevant goods and services. They consist of maintenance obligations that are disclosed separately as they relate to revenue to be recognised over a period of time and not at a point in time.

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

#### Settlement discount provision

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

2023 R'000	Opening balance	New contracts entered	Liability reversed	Revenue recognised	Transfer to assets held for sale	Closing balance
Maintenance and rebates liability	11 780	525	-	(4 189)	14	8 130
Settlement discount provision	5 012	37 123	(3 115)	(30 519)	7	8 508
	<b>16 792</b>	<b>37 648</b>	<b>(3 115)</b>	<b>(34 708)</b>	<b>21</b>	<b>16 638</b>

2022 R'000	Opening balance	New contracts entered	Liability reversed	Revenue recognised	Transfer from assets held for sale	Closing balance
Maintenance and rebates liability	10 078	18 615	(10 069)	(5 771)	(1 074)	11 780
Settlement discount provision	5 163	48 350	(929)	(47 534)	(38)	5 012
	<b>15 241</b>	<b>66 965</b>	<b>(10 998)</b>	<b>(53 304)</b>	<b>(1 112)</b>	<b>16 792</b>

The following table represents the split between current and non-current contract liabilities:	2023 R'000	2022 R'000
Current liabilities	16 638	16 792
	<b>16 638</b>	<b>16 792</b>

### 24. Lease liabilities

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

- Fixed payments including in-substance fixed payment, where applicable, less any incentive receivable.
- Variable lease payments that are based on an index or rate, measured using the index or rate as at the lease commencement date.
- Amounts that are expected to be payable by the lessee under the residual value guarantees.
- The exercise price of a purchase option if the lease is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

#### Renewal and termination options

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

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

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 24. Lease liabilities (continued)

#### Lease and non-lease components

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

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

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

	2023 R'000	2022 R'000
Current	4 855	10 817
Non-current	15 875	140 272
<b>Total lease liabilities</b>	<b>20 730</b>	<b>151 089</b>
	<b>2023 R'000</b>	<b>2022 R'000</b>
<b>Amounts recognised in the income statement</b>		
<b>Continuing Operations</b>		
Total finance costs	17 204	22 662
Expense relating to short-term and low value leases included in other operating expenses	3 092	5 193
<b>Discontinued Operations</b>		
Total finance costs	-	1 865
Expense relating to short-term and low value leases included in other operating expenses	2 916	152
<b>Amounts recognised in the statement of cash flows</b>		
<b>Continuing Operations</b>		
Interest paid	17 204	22 662
Repayments of lease liabilities	11 797	26 686
<b>Cash outflow on leases</b>	<b>29 001</b>	<b>49 348</b>
<b>Discontinued Operations</b>		
Interest paid	-	1 865
Repayments of lease liabilities	-	8 179
<b>Cash outflow on leases</b>	<b>-</b>	<b>10 044</b>
<b>Total cash outflow on leases</b>	<b>29 001</b>	<b>59 392</b>



# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 25. Stated capital

#### Ordinary shares

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

#### Treasury shares

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

	2023 R'000	2022 R'000
<b>Opening balance</b>	6 036 471	6 017 784
Issue of ordinary shares	101 530	-
Treasury shares released during the year <sup>(1)</sup>	18 824	20 807
Treasury shares acquired during the year	-	(2 120)
<b>Closing balance</b>	<b>6 156 825</b>	<b>6 036 471</b>

<sup>(1)</sup> During the current year, treasury shares from the TRS transaction were released. This resulted in a cash movement from restricted cash to normal cash, the related liability was also released.

	2023 '000	2022 '000
<b>Number of shares</b>		
<b>Authorised shares (no par value)</b>	2 000 000	2 000 000
<b>Issued shares (fully paid up)</b>	632 470	489 470
	2023 '000	2022 '000
<b>Reconciliation of number of shares in issue net of treasury shares</b>		
Ordinary shares - opening balance	481 379	481 494
Issued during the year	143 000	-
Ordinary shares - closing balance	624 379	481 494
Treasury shares movement in the year <sup>(1)</sup>	1 667	(115)
Held at the beginning of the period	8 091	7 976
Held at the end of the period	(6 424)	(8 091)
<b>Net closing balance</b>	<b>626 046</b>	<b>481 379</b>

<sup>(1)</sup>Treasury shares are held by Elixir Brands (Pty) Ltd and Ascendis Financial Services (Pty) Ltd.

A rights offer process was implemented during the year and concluded in August 2022. The rights offer was fully subscribed and a total of R101.53 million was raised through the issue of 143 million new Ascendis shares. This had the impact of increasing the group's issued share capital from 489.47 million ordinary no par value shares to 632.47 million ordinary no par value shares. A breakdown of the material shareholders post the rights offer can be found in Appendix B.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 26. Other reserves

#### Other reserves - 30 June 2023

R'000	Common control reserve <sup>1</sup>	Total other reserves
<b>Balance as at 1 July 2022</b>	<b>(18 702)</b>	<b>(18 702)</b>
<b>Total contributions by and distributions to owners of the group recognised directly in equity</b>	<b>-</b>	<b>-</b>
<b>Balance as at 30 June 2023</b>	<b>(18 702)</b>	<b>(18 702)</b>

<sup>(1)</sup> Reserves from restructuring of CGU's within the Ascendis group.

#### Other reserves - 30 June 2022

R'000	Common control reserve <sup>(1)</sup>	Distributable reserve <sup>(2)</sup>	Statutory reserve <sup>(3)</sup>	Total other reserves
<b>Balance as at 1 July 2021</b>	<b>(18 702)</b>	<b>62 441</b>	<b>3 981</b>	<b>47 720</b>
Foreign currency translation	-	565	-	565
Reclassification to retained earnings <sup>(4)</sup>	-	(63 006)	(3 981)	(66 987)
<b>Total contributions by and distributions to owners of the group recognised directly in equity</b>	<b>-</b>	<b>(62 441)</b>	<b>(3 981)</b>	<b>(66 422)</b>
<b>Balance as at 30 June 2022</b>	<b>(18 702)</b>	<b>-</b>	<b>-</b>	<b>(18 702)</b>

<sup>(1)</sup> Reserves from restructuring of CGU's within the Ascendis group.

<sup>(2)</sup> Reserve relates mainly to Farmalider's group accumulated earnings which could be distributed as a dividend, at the board's discretion. This has been released to retained earnings with the disposal of the entity in the 2022 reporting period.

<sup>(3)</sup> Spanish law requires Farmalider to distribute, at least annually 10% of the profit for the year until the statutory reserve is 20% of Farmalider's share capital. This has been released to retained earnings with the disposal of the entity in the 2022 reporting period.

<sup>(4)</sup> Reserve release relating to the sale of Farmalider, S.A.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 27. Cash generated from operations

	Notes	2023 R'000	2022 R'000
<b>Loss after tax from continuing operations</b>		<b>(286 242)</b>	<b>(758 089)</b>
<b>Adjustments for:</b>			
Tax from continuing operations		1 635	(37 303)
Depreciation and amortisation	13, 15, 14	76 402	79 828
Impairment of intangible assets	15	58 170	169 800
Impairment of property, plant and equipment	13	70 643	-
Net (profit)/loss on sale of assets		(9 170)	2 369
Net profit on disposal of subsidiary <sup>(1)</sup>	6	(73 530)	(56 529)
Net loss/(profit) on foreign exchange		6 660	33 825
Fair value measurement of financial assets and liabilities		-	(1 860)
Provisions and contract liability raised		5 234	23 352
Net movement in trade and other receivables estimated credit losses		3 232	50 336
Net movement in obsolete stock allowance	18	12 135	(6 082)
Finance income	11	(9 519)	(6 699)
Finance expense	11	68 118	484 649
Remeasurement of lease liabilities		(745)	(3 034)
Impairment of other financial assets	16	4 127	8 722
<b>Changes in working capital:</b>			
Inventories		(106 488)	17 349
Trade and other receivables		4 639	(62 604)
Trade and other payables		99 215	(32 611)
Provisions		(12 740)	(8 289)
<b>Cash generated from operations</b>		<b>(88 224)</b>	<b>(102 871)</b>

<sup>(1)</sup> The current year profit relates to the deemed disposal of Surgical Innovations (refer note 6), as well as the clearing of the balance sheets of deregistered entities. The prior year amount relates to the release of foreign currency exchange difference on deregistered subsidiaries and the liquidation of the balance sheets of the foreign operations not disposed of as part of the group recapitalisation.

### 28. Tax paid

	2023 R'000	2022 R'000
Balance at the beginning of the period	6 307	(3 251)
Current tax for the period recognised in profit or loss	(14 060)	(5 025)
Loss of control over subsidiary <sup>(1)</sup>	(5 213)	-
Transfer to discontinued operations	-	895
Accrued interest	(2 487)	-
Balance at the end of the period	(2 840)	6 307
Current tax receivable	5 224	20 909
Current tax payable	(8 064)	(14 602)
<b>Tax paid</b>	<b>(12 613)</b>	<b>(13 688)</b>

<sup>(1)</sup> Relates to the loss of control over Surgical Innovations. Refer to note 6 for more information.

## 29. Financial instruments

### Accounting for financial instruments

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

### Initial recognition and classification

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component (or for which the group has not applied the practical expedient), the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient are measured at the transaction price.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Financial liabilities are classified as measured at amortised cost, except for those derivative liabilities that are measured at fair value through profit or loss.

### Derecognition

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

### 29. Financial instruments (continued)

#### Modification of financial liabilities

The exchange between the group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment, unless if such costs or fees incurred are incremental and are directly related to the issue of the new debt instrument in which case any such costs or fees adjust the carrying amount of the liability and are amortised over the remaining term of the new financial liability. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

#### Impairment

The group assessed on a forward-looking basis, the expected credit loss allowance (ECL) on all financial assets that are not held at fair value through profit or loss and the group recognises an allowance for ECL. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive. ECLs are discounted at the original effective interest rate (EIR) of the financial asset.

ECL are measured on either a 12-month or lifetime basis depending on whether there has been a significant increase in credit risk since initial recognition or whether the asset is considered credit-impaired. ECL are the discounted product of the probability of default (PD) and exposure at default (EAD).

- The PD represents the likelihood of a counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining life (lifetime PD) of the obligation.
- The EAD is based on the amounts the group expected to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining life (lifetime EAD).
- The group calculates loss given default (LGD) as discounted EAD.

The group recognises in profit or loss, as an impairment loss or reversal, the amount of ECL that is required to adjust the loss allowance at the end of the reporting period. When a receivable is uncollectible, it is written off against the allowance for impairment for that receivable. Subsequent recoveries of amounts previously written off are recognised in the statement of profit or loss.

#### Definition of default

The group defines a financial instrument in default when the counterparty fails to make contractual payments within 90 days of when they fall due.

### 29. Financial instruments (continued)

#### Write-off policy

The group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. This is the point when the group's collection activities are unable to recover outstanding balances.

#### Significant increase in credit risk in terms of general impairment model

The group considered financial assets subject to assessment for ECL in terms of the general impairment model to have experienced a significant increase in credit risk since the time of initial recognition when one or more of the following criteria have been met:

- **Quantitative**

- Where the counterparty has not met its minimum contractual obligations.

- **Quantitative criteria**

- The group considered available reasonable and supportive forward-looking information incorporating the following indicators, where applicable:
  - (i) Expected delay in payment
  - (ii) Changes in the amount of financial support available to the counterparty
  - (iii) Changes in the general economic and/or market conditions
  - (iv) Internal and external credit ratings

#### 29.1 Financial risk management

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

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

The audit and risk committee has oversight of group risk management and the group treasury function manages various financial risks in accordance with the policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. The group treasury function identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The group treasury risk management objective is to protect all foreign exposures using foreign exchange contracts. Please refer to Note 30 and the sensitivity on foreign currency exposure for the quantification of the instruments.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 29. Financial instruments (continued)

#### 29.2. Categories of financial instruments

2023 R'000	Amortised cost <sup>(1)</sup>		Fair value through profit or loss	
	Continuing operations	Disposal groups	Continuing operations	Disposal groups
<b>Financial assets</b>				
<b>Non-current</b>				
Other financial assets	4 132	-	-	-
<b>Current</b>				
Trade and other receivables	252 747	-	-	-
Other financial assets	16 561	-	-	-
Derivative financial instruments	-	-	872	-
Cash and cash equivalents	102 231	-	-	-
	<b>375 671</b>	<b>-</b>	<b>872</b>	<b>-</b>
<b>Financial liabilities</b>				
<b>Non-current</b>				
Borrowings and other financial liabilities	3 431	-	-	-
<b>Current</b>				
Borrowings and other financial liabilities	26 376	-	-	-
Trade and other payables <sup>(2)</sup>	249 797	-	-	-
	<b>300 334</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> Refer to Note 30 for further details on fair value estimation and hierarchy.

<sup>(2)</sup> Balances shown exclude prepayments, refund assets, provisions and specific accruals that are not financial instruments as defined.

2022 R'000	Amortised cost <sup>(1)</sup>		Fair value through profit or loss	
	Continuing operations	Disposal groups	Continuing operations	Disposal groups
<b>Financial assets</b>				
<b>Non-current</b>				
Other financial assets	36 064	-	-	-
<b>Current</b>				
Trade and other receivables	314 984	68 078	-	-
Other financial assets	60 541	72	-	-
Derivative financial instruments	-	-	3 065	-
Cash and cash equivalents	213 020	4 523	-	-
	<b>624 609</b>	<b>72 673</b>	<b>3 065</b>	<b>-</b>
<b>Financial liabilities</b>				
<b>Non-current</b>				
Borrowings and other financial liabilities	(22 131)	-	-	-
<b>Current</b>				
Borrowings and other financial liabilities	(521 538)	(137)	-	-
Trade and other payables	(288 727)	(63 849)	-	-
Bank overdraft	-	(122)	-	-
	<b>(983 485)</b>	<b>(64 108)</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> Refer to Note 30 for further details on fair value estimation and hierarchy.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 29. Financial instruments (continued)

#### 29.3 Liquidity risk

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

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

Cash flow forecasting is performed in the operating entities of the group and aggregated by the group treasury function to actively manage the group's projected cash flows and prevent any potential future liquidity constraints. Group treasury monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

At year end the group had the following liquid resources: trade and other receivables R269.2million (2022: R339.2 million) (Note 19), and bank balances of R102.2 million (2022: R213.0 million) (including restricted cash of R18.7 million; 2022: R64.0 million) (Note 20) to manage liquidity risk. The balance of undrawn facilities at year end is Rnil (2022: Rnil).

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

2023 R'000	Note	3 months and 1 year					Total
		3 months	1 year	1 and 2 years	2 and 5 years	Over 5 years	
Borrowings and other financial liabilities	3	-	26 376	3 431	-	-	29 807
Lease liabilities	24	1 322	4 178	6 673	9 767	1 020	22 960
Trade and other payables	21	185 586	7 219	-	-	-	192 805
<b>Total</b>		<b>186 908</b>	<b>37 773</b>	<b>10 104</b>	<b>9 767</b>	<b>1 020</b>	<b>245 572</b>
<b>2022</b>							
<b>R'000</b>							
<b>Continuing operations</b>							
Borrowings and other financial liabilities	3	18 269	503 269	22 131	-	-	543 669
Lease liabilities	24	7 091	19 548	30 721	99 702	71 468	228 530
Trade and other payables	21	175 394	113 343	-	-	-	288 737
<b>Total</b>		<b>200 754</b>	<b>636 160</b>	<b>52 852</b>	<b>99 702</b>	<b>71 468</b>	<b>1 060 936</b>
<b>Disposal group</b>							
Borrowings and other financial liabilities	4	137	-	-	-	-	137
Bank overdraft		122	-	-	-	-	122
Trade and other payables		78 615	-	-	-	-	78 615
<b>Total</b>		<b>78 874</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78 874</b>



### 29. Financial instruments (continued)

#### 29.4 Credit risk

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

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

#### Impairment of financial assets

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

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

The detailed analysis of the items above is included below:

#### Trade receivables

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

The group applies the simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables without a significant financing component. To measure the expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics, size and the days aged. Trade receivables balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay.

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

#### Provision matrix

ECLs are calculated by applying a loss ratio to the aged balance of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic/proxy write-offs to the payment profile of the sales population. In instances where there was no evidence of historical write-offs, management used a proxy write-off. The sales population selected to determine the ageing/payment profile of the sales is representative of the entire population and in line with the future payment expectations.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 29. Financial instruments (continued)

#### 29.4 Credit risk (continued)

The group used up to 60 months sales data to determine the payment profile of the sales. The data was divided into separate observation periods, generally of 12 months. This is considered appropriate in determining the payment profile of sales for the historic loss ratio. The group used actual write-offs where it was available as a basis for the historical write-off in order to determine the historic loss ratio. Alternatively, management has used the proxy write-off based on management's best estimate.

The historic loss ratio is then adjusted for forward-looking information i.e. macro-economic variables to determine the ECL for the portfolio of trade receivables at the reporting date to the extent that there is a strong correlation between the forward-looking information and the ECL. Macro-economic variables applied relates to the GDP factor. Management has applied the presumption that a customer is in default when 90 days past due.

#### Significant judgement

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

Estimation was applied in determining the correlation of macro-economic variables to defaults. The basis of the correlations applied was based on the Moody's Analytics Impairment Calculation. Moody's Analytics produces a set of macroeconomic forecasts for South Africa that considers the historical accuracy of various forecasters to identify reliable sources. These are incorporated into their GCorr macroeconomic forecast set. Moody's Analytics use the Baseline, Stronger Near-Term Rebound (S1) ("Bullish"), and Moderate Recession (S3)("Bearish") forecast sets weighted 40%, 30%, 30% respectively for a forward looking adjustment for the purposes of IFRS 9. GDP is the main macro-economic factor that is taken into account and for the current year, the GDP growth is forecast to be 1.6%.

The loss allowance as at 30 June 2023 for trade receivables to which the provision matrix had been applied is determined as follows:

2023 R'000	Gross carrying amount	Impairment	Average ECL/ impairment ratio
Current	60 049	(1 378)	2.29%
Up to 30 days aged	36 671	(681)	1.86%
Up to 60 days aged	9 869	(779)	7.89%
More than 60 days past due	2 602	(674)	25.90%
	109 191	(3 512)	<b>3.22%</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 29. Financial instruments (continued)

#### 29.4 Credit risk (continued)

2022 R'000	Gross Carrying Amount	Impairment	Average ECL/ Impairment ratio
<b>Continuing operations</b>			
Current	123 664	(861)	0.70%
Up to 30 days aged	41 795	(451)	1.08%
Up to 60 days aged	5 990	(513)	8.56%
More than 60 days past due	14 893	(11 424)	76.71%
	<b>186 342</b>	<b>(13 249)</b>	<b>7.11%</b>
<b>Disposal group</b>			
Current	56 609	(14)	0.02%
Up to 30 days aged	503	(1)	0.20%
Up to 60 days aged	41	-	0.00%
More than 60 days past due	3 197	(776)	24.27%
	<b>60 350</b>	<b>(791)</b>	<b>1.31%</b>

#### Simplified parameter-based approach

ECL is calculated using a formula incorporating the following parameters: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) i.e. (PD x LGD x EAD = ECL). The PD and LGD was measured using Moody's Analytics RiskCals's respective PD and LGD modules (RiskCalc South Africa Version 3.2 for PD and LossCalc version 4.0). Exposures are segmented by customer size relative to the amount of the total debtors' book. Management applied judgement and assumption segmenting the customers i.e.; for individual customers making up at least 10% of the debtors book were excluded, but taken into consideration in terms of the matrix approach above. The probability of default as well as the realised loss with defaulted accounts have been determined using historical data for 12 months. The effective interest rate represents a weighted average rate which is representative of the portfolio of customers and incorporates a risk-free rate plus a risk premium, where relevant, on initial recognition of the trade receivable.

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

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

2023 R'000	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Government customers	63 113	(2 294)	60 819
Public listed customers	60 729	(2 378)	58 351
	<b>123 842</b>	<b>(4 672)</b>	<b>119 170</b>
<b>2022 R'000</b>			
<b>Continuing operations</b>			
Government customers	36 147	(606)	35 541
Public listed customers	56 987	(61)	56 926
	<b>93 134</b>	<b>(667)</b>	<b>92 467</b>
<b>Disposal group</b>			
Government customers	5 997	(2 477)	3 520
	<b>5 997</b>	<b>(2 477)</b>	<b>3 520</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 29. Financial instruments (continued)

#### 29.4 Credit risk (continued)

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

	2023 R'000	2022 R'000
<b>Opening loss allowance</b>	<b>13 917</b>	<b>29 585</b>
Decrease in loss allowance	(2 704)	(1 340)
Receivables written off during the year as uncollectible	(3 756)	(9 933)
Transferred from / (to) discontinued operation	727	(4 395)
<b>As at 30 June</b>	<b>8 184</b>	<b>13 917</b>

Net impairment loss recognised in the statement of profit or loss amounted to R3.2 million (2022: R1.3 million).

#### Other financial assets

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

Internally, it was assessed that the credit risk with regards to the amount receivable on the loans to key management, directors, previous key management and directors and previous owners of Chempure t/a Solal has increased significantly. The group is doubtful that the amount will be received in full. For the loans to key management, directors, previous key management and director the group has recognised ECL allowance on the amounts owed because the group is in the process of finding ways to recover the amounts. The loans to previous owners of Chempure t/a Solal, the amount owed is past due and the counterparty is now in default. Therefore, a specific lifetime ECL has been applied and a provision of R14.7 million (2022: R37.8 million) recognised. The receivable is credit impaired. The gross carrying amount of other financial assets is R20.7 million (2022: R96.6 million).

The remaining other financial assets were assessed internally as performing. These other financial assets are considered to have low credit risk as the probability of default is very low and ECL is considered immaterial. The assessment of low credit risk is based on the counter parties performance thus far taking into consideration it is not in default and fully performing.

#### Cash and cash equivalents

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

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

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

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 29. Financial instruments (continued)

#### 29.4 Credit risk (continued)

	2023 R'000	2022 R'000
<b>Credit rating of financial institutions</b>		
<b>Continuing operations</b>		
Ba2	102 231	213 020
	<b>102 231</b>	<b>213 020</b>
<b>Disposal group</b>		
Ba2	-	4 401
	<b>-</b>	<b>4 401</b>

#### 29.5 Market risk

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

##### Interest rate risk

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

The group's interest rate risk arises from cash and cash equivalents, borrowings and bank overdrafts.

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

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

R'000	2023		2022	
	Fixed rate instruments	Variable rate instruments	Fixed rate instruments	Variable rate instruments
<b>Non-current financial assets</b>				
Other financial assets	4 132	-	36 064	-
	<b>4 132</b>	<b>-</b>	<b>36 064</b>	<b>-</b>
<b>Current financial assets</b>				
Other financial assets	16 561	-	60 541	-
Cash and cash equivalents	83 020	19 211	170 948	42 072
	<b>99 581</b>	<b>19 211</b>	<b>231 489</b>	<b>42 072</b>
<b>Non-current financial liabilities</b>				
Borrowings and other financial liabilities	3 431	-	22 130	-
	<b>3 431</b>	<b>-</b>	<b>22 130</b>	<b>-</b>
<b>Current financial liabilities</b>				
Borrowings and other financial liabilities	26 376	-	23 374	498 164
	<b>26 376</b>	<b>-</b>	<b>23 374</b>	<b>498 164</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 29. Financial instruments (continued)

#### 29.5 Market risk (continued)

R'000	2023		2022	
	Fixed rate instruments	Variable rate instruments	Fixed rate instruments	Variable rate instruments
<b>Disposal group</b>				
<b>Current financial assets</b>				
Other financial assets	-	-	72	-
Cash and cash equivalents	-	-	4 523	-
	-	-	<b>4 595</b>	-
<b>Current financial liabilities</b>				
Borrowings and other financial liabilities	-	-	137	-
Bank overdraft	-	-	122	-
	-	-	<b>259</b>	-

#### Sensitivity analysis

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

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

JIBAR R'000	Decrease/increase in profit before tax		
	Change in interest rate	Upward change in interest rate	Downward change in interest rate
2023	1%	192	(192)
2022	1%	(4 561)	4 561

#### Foreign exchange risk

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

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

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

During the current year, the group disposed all the foreign operations hence the group did not have any currency exposure as at year end.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 29. Financial instruments (continued)

#### 29.5 Market risk (continued)

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

Currency	2023		2022	
	Closing rate	Average rate	Closing rate	Average rate
Euros	20.50	20.30	17.02	16.70
Romanian leu	4.08	4.02	3.44	3.37
Swedish Krona	1.74	1.74	1.58	1.58
UK pound sterling	23.84	23.66	19.78	19.46
US dollar	18.83	18.73	16.28	15.79

The change in exchange rate applied in the below mentioned sensitivity analysis is based on the actual movement in exchange rates during the 2023 financial year.

2023		Change in exchange rate	Impact on financial results
Foreign denominated balances held by the group at year end:	R'000	rate	R'000
<b>Current assets</b>			
US Dollars	1 889	-15.62%	(295)
<b>Current liabilities</b>			
UK Pound	(22)	-20.53%	5
Euros	(73 880)	-20.46%	15 116
US Dollars	(24 502)	-15.62%	3 827
<b>Net impact from foreign denominated balances</b>	<b>(96 515)</b>		<b>18 653</b>
<b>Forward exchange contracts</b>			
US dollar	872	15.62%	136
<b>Net impact including economic hedges on profit/loss</b>	<b>872</b>		<b>136</b>

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

2022		Change in exchange rate	Impact on financial results
Foreign denominated balances held by the group at year end:	R'000	rate	R'000
<b>Current assets</b>			
US Dollars	5 519	-13.91%	(768)
<b>Current liabilities</b>			
UK Pound	(350)	0.00%	-
Euros	(26 811)	-0.22%	59
US Dollars	(17 755)	-13.91%	2 470
<b>Net impact from foreign denominated balances</b>	<b>(39 397)</b>		<b>1 761</b>
<b>Forward exchange contracts</b>			
US dollar	3 065	-13.91%	(426)
<b>Net impact including economic hedges on profit/loss</b>	<b>3 065</b>		<b>(426)</b>

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 29. Financial instruments (continued)

#### 29.6 Capital risk management

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

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

In addition, the group has long-term and short-term borrowings in place to meet the anticipated funding requirements. Borrowings are monitored based on the gearing ratio, which is consistent with others in the industry. This ratio is calculated as net debt divided by total capital. Net debt (refer note 2) is calculated as total borrowings (including current and non-current borrowings and other financial liabilities' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The table below serves to illustrate the group's gearing ratio at year end.

	Notes	2023 R'000	2022 R'000
Borrowings and other financial liabilities	3	29 807	543 669
<b>Total borrowings</b>		<b>29 807</b>	<b>543 669</b>
Cash and cash equivalents	20	(102 231)	(213 020)
<b>Net debt</b>		<b>(72 424)</b>	<b>330 649</b>
Total equity		562 895	401 808
<b>Total capital</b>		<b>490 471</b>	<b>732 457</b>
<b>Gearing ratio</b>		<b>-15%</b>	<b>45%</b>



# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 30. Fair value estimation and hierarchy

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

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

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

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

The following table presents the group's financial assets and liabilities fair value hierarchy:

2023 R'000	Notes	Level 1	Level 2	Level 3	Total
<b>Continuing operations</b>					
Foreign exchange contracts		-	872	-	872
<b>Total liabilities</b>		-	<b>872</b>	-	<b>872</b>
<b>Measured on a recurring basis</b>					
Land and buildings	13	-	-	35 000	35 000
<b>Total assets</b>		-	-	<b>35 000</b>	<b>35 000</b>

<sup>(1)</sup> This is related to derivative financial instruments.

2022 R'000	Notes	Level 1	Level 2	Level 3	Total
<b>Measured at fair value on a recurring basis</b>					
Foreign exchange contracts		-	3 065	-	3 065
Liabilities classified as held for sale	4	-	-	83 105	83 105
<b>Total liabilities</b>		-	<b>3 065</b>	<b>83 105</b>	<b>86 170</b>
<b>Measured on a recurring basis</b>					
Land and buildings		-	-	61 518	61 518
Assets classified as held for sale		-	-	159 513	159 513
<b>Total assets</b>		-	-	<b>221 031</b>	<b>221 031</b>

Reconciliation of level 3 category instruments	2023 R'000	2022 R'000
<b>Deferred vendor liabilities:</b>		
Opening balance	-	116 808
Repayments during the year	-	(120 947)
Interest charged	-	4 139
	-	-

### 30. Fair value estimation and hierarchy (continued)

There were no transfers between level 1, 2 or 3 for the group during the year. The remeasurement made and interest accrued are treated in the cashflow statement as non-cash measurement items.

#### Valuation methods and assumptions

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

#### Deferred vendor liabilities

This relates to contingent consideration on business combination transactions. The fair values have been estimated using the discounted cash flow model. The discounted method was used to capture the present value of the expected future economic benefits that will flow out of the group arising from the contingent consideration. The significant unobservable inputs in relation to the contingent consideration includes EBIT margin and EBITDA margin. A slight increase in these inputs in isolation would result in a significant increase in the fair value, however in respect of these liabilities, all contingent consideration has already been determined per the underlying agreements. Therefore, no sensitivity analysis was performed on the fair value of deferred vendor liabilities as all contingent consideration has been determined.

#### Derivative financial instruments

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

#### Borrowings and other financial liabilities

The group has borrowing facilities with various financial institutions. The key valuation inputs in the fair value assessment are the interest rate (unobservable) and non-performance risk (unobservable).

#### Assets and liabilities classified as held for sale

Assets and liabilities held for sale constitute the disposal groups held for sale and discontinued operations (please refer to note 4 for details thereof). The key valuation inputs consist unobservable inputs being the obtainable selling prices negotiated and potentially achievable for the various disposal groups. Advisors are appointed to the disposal process in accordance with the milestones illustrated in the refinancing agreement to commence with the process of identifying a buyer a purchase proceeds level attainable.

#### Land and buildings

Please refer to note 13 where the fair value considerations of land and buildings are provided.

### 31. Related parties

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

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 31. Related parties (continued)

#### Key management compensation 2023

R'000	Basic Salary	Travel Allowance	Bonus	Incentives <sup>(4)</sup>	Retirement/ medical benefits	Other benefits and costs ^^	Termination cost ^	Non executive Directors fees	Non executive Directors other services	Total
<b>Executive directors</b>										
AC Neethling <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-
CJ Kujenga <sup>(2)</sup>	235	-	-	-	124	9	3 333	-	-	3 701
<b>Total executive</b>	<b>235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124</b>	<b>9</b>	<b>3 333</b>	<b>-</b>	<b>-</b>	<b>3 701</b>
Key management	6 337	40	-	5 754	1 118	150	548	-	-	13 947
<b>Total executive and key management</b>	<b>6 572</b>	<b>40</b>	<b>-</b>	<b>5 754</b>	<b>1 242</b>	<b>159</b>	<b>3 881</b>	<b>-</b>	<b>-</b>	<b>17 648</b>
<b>Non-executive directors</b>										
B Harie	-	-	-	-	-	-	-	773	-	773
H Smit	-	-	-	-	-	-	-	406	-	406
K Wellner	-	-	-	-	-	-	-	418	-	418
SL Muladzi	-	-	-	-	-	-	-	294	-	294
A Chetty	-	-	-	-	-	-	-	615	-	615
AC Neethling <sup>(3)</sup>	-	-	-	-	-	-	-	81	-	81
T De Bruyn	-	-	-	-	-	-	-	161	-	161
<b>Total non-executive</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 748</b>	<b>-</b>	<b>2 748</b>
<b>Total</b>	<b>6 572</b>	<b>40</b>	<b>-</b>	<b>5 754</b>	<b>1 242</b>	<b>159</b>	<b>3 881</b>	<b>2 748</b>	<b>-</b>	<b>20 396</b>

<sup>(1)</sup> Appointed effective 30 September 2022.

<sup>(2)</sup> Resigned effective 30 September 2022.

<sup>(3)</sup> Relates to fees received as non-executive director before appointed as the group CEO.

<sup>(4)</sup> Relates to Management Incentive Payments on the successful divestment of Pharma.

^ Termination costs relate to a legacy mutual separation agreement which expired on 30 September 2022.

^^ SDL & UIF legislative costs and cost reimbursements.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 31. Related parties (continued)

The Ascendis Health Ltd directors and subsidiaries' directors are considered to be prescribed officers.

#### Key management compensation 2022

R'000	Basic Salary	Travel Allowance	Bonus	Incentives	Retirement/ medical benefits	Other benefits and costs ^^	Termination cost ^	Non executive Directors fees	Executive Directors other services	Total
<b>Executive directors</b>										
MJ Sardi	2 473	-	-	7 497	129	640	-	-	-	10 739
CJ Kujenga <sup>(1)</sup>	4 323	-	-	8 422	496	30	-	-	-	13 271
<b>Total executive</b>	<b>6 796</b>	<b>-</b>	<b>-</b>	<b>15 919</b>	<b>625</b>	<b>670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24 010</b>
Key management	11 624	316	9 062	-	1 934	249	-	-	-	23 185
<b>Total executive and key management</b>	<b>18 420</b>	<b>316</b>	<b>9 062</b>	<b>15 919</b>	<b>2 559</b>	<b>919</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47 195</b>
<b>Non-executive directors</b>										
AB Marshall	-	-	-	-	-	-	2 000	562	500	3 062
J Sebulela	-	-	-	-	-	-	-	211	-	211
Dr KS Pather	-	-	-	-	-	-	-	226	-	226
SS Ntsaluba	-	-	-	-	-	-	-	168	-	168
B Harie	-	-	-	-	-	-	-	356	-	356
H Smit	-	-	-	-	-	-	-	736	-	736
K Wellner	-	-	-	-	-	-	-	443	-	443
SL Muladzi	-	-	-	-	-	-	-	368	-	368
A Chetty	-	-	-	-	-	-	-	83	-	83
AC Neethling	-	-	-	-	-	-	-	68	-	68
R Dawes	-	-	-	-	-	-	-	354	-	354
G Shayne	-	-	-	-	-	-	-	305	785	1 090
<b>Total non-executive</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 000</b>	<b>3 880</b>	<b>1 285</b>	<b>7 165</b>
<b>Total</b>	<b>18 420</b>	<b>316</b>	<b>9 062</b>	<b>15 919</b>	<b>2 559</b>	<b>919</b>	<b>2 000</b>	<b>3 880</b>	<b>1 285</b>	<b>54 360</b>

(1) and (2) Refers to a date

^ Termination costs were based on the notice terms in the employment contract.

^^ SDL & UIF legislative costs

The Ascendis Health Ltd directors and subsidiaries' directors are considered to be prescribed officers.

# Notes to the group annual financial statements (continued)

## for the year ended 30 June 2023

### 31. Related parties (continued)

#### Summary of directors' appointments, resignations and retirements

(1)	<b>Appointed</b>
T de Bruyn	19 October 2022

(2)	<b>Resigned</b>
CJ Kujenga	30 September 2022
H Smit	30 November 2022

#### Directors' interest in shares

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

	Number of shares		
	Direct	Indirect	Total
L Mulaudzi	-	56 321 482	56 321 482
AC Neethling	9 097 350	65 947 438	75 044 788
K Wellner	1 278 124	2 365	1 280 489
B Harie	4 602	245 923	250 525
T De Bruyn	-	78 072 509	78 072 509
<b>30 June 2023</b>	<b>10 380 076</b>	<b>200 589 717</b>	<b>210 969 793</b>

	Number of shares		
	Direct	Indirect	Total
L Mulaudzi	-	56 321 482	56 321 482
AC Neethling	7 013 806	15 569 699	22 583 505
K Wellner	1 278 124	2 365	1 280 489
H Smit	220 000	-	220 000
B Harie	3 548	196 135	199 683
<b>30 June 2022</b>	<b>8 515 478</b>	<b>72 089 681</b>	<b>80 605 159</b>

The independent non-executive directors' interests in the issued share capital of the company represent less than 0.0% (2022: 0.0%) of the total issued share capital of the company at 30 June 2023. The collective interests held by the independent non-executive directors do not constitute a material shareholding in the company. Accordingly, their continued participation as directors is deemed not to be impaired.

	2023	2022
	R'000	R'000
<b>Loans to directors of subsidiaries</b>		
As at 1 July	7 224	-
Loan reclassified from external party during the year	-	7 224
Loan reclassified to external party during the year <sup>(1)</sup>	(7 224)	-
<b>As at 30 June</b>	<b>-</b>	<b>7 224</b>

<sup>(1)</sup> The loan reclassified to external parties consist of a loan to an Ascendis director that has been ceded to an external party.

### 32. 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 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 material economic outflows are considered possible but not probable.

The group is currently involved in three material disputes: (a) with a former advisor on a previous engagement; (b) with a shareholder of the group concerning a loan that the shareholder alleges was guaranteed by Ascendis; and (c) with a service provider regarding certain services provided to the group. The group is in consultation with its legal counsel, assessing the potential outcome of these disputes on an ongoing basis. The group does not foresee any material or significant exposure based on advice from legal representatives currently. As these disputes progress, management makes provision in respect of legal proceedings where appropriate.

### 33. Events after reporting period

#### **Surgical Innovations Business Rescue**

The Surgical Innovations business rescue plan has been approved subsequent to year end, and the implementation thereof is currently ongoing and nearing completion.

This is a non-adjusting post balance sheet event.



# Company Annual Financial Statements

For the year ended  
30 June 2023





# Company statement of profit or loss and comprehensive income

## for the year ended 30 June 2023

	Note	2023 R'000	2022 R'000
Expected credit losses allowance on loans to related parties	5	(2 042 836)	(465 104)
Expected credit loss allowance on financial guarantee liability		-	403 769
Other operating expenses	1	(5 697)	(199 330)
<b>Operating loss</b>		<b>(2 048 533)</b>	<b>(260 665)</b>
Finance income	2	986	83
Finance costs	2	(725)	(5 491)
<b>Loss before taxation</b>		<b>(2 048 272)</b>	<b>(266 073)</b>
Taxation credit	3	-	51 308
<b>Loss for the year</b>		<b>(2 048 272)</b>	<b>(214 765)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(2 048 272)</b>	<b>(214 765)</b>

# Company statement of financial position

## at 30 June 2023

	Notes	2023 R'000	2022 R'000
Investments in subsidiaries	4	522 751	338 070
<b>Non-current assets</b>		<b>522 751</b>	<b>338 070</b>
Loans to related parties	5	711 258	3 065 451
Cash and cash equivalents	6	794	23 209
<b>Current assets</b>		<b>712 052</b>	<b>3 088 660</b>
<b>TOTAL ASSETS</b>		<b>1 234 803</b>	<b>3 426 730</b>
Stated capital	8	6 237 888	6 136 358
Accumulated loss		(5 007 048)	(2 958 807)
<b>Equity</b>		<b>1 230 840</b>	<b>3 177 551</b>
Trade and other payables	7	1 555	1 326
Current income tax liabilities	11	2 408	13 457
Loans from related parties	5	-	234 396
<b>Current liabilities</b>		<b>3 963</b>	<b>249 179</b>
<b>TOTAL LIABILITIES</b>		<b>3 963</b>	<b>249 179</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 234 803</b>	<b>3 426 730</b>

# Company statement of changes in equity

## for the year ended 30 June 2023

R'000	Note	Stated capital	Accumulated loss	Total equity
<b>Balance as at 1 July 2021</b>		<b>6 136 358</b>	<b>(2 746 213)</b>	<b>3 390 145</b>
Loss for the year		-	(214 765)	(214 765)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>(214 765)</b>	<b>(214 765)</b>
Contribution to a subsidiary <sup>(1)</sup>		-	2 171	2 171
<b>Balance as at 30 June 2022</b>		<b>6 136 358</b>	<b>(2 958 807)</b>	<b>3 177 551</b>
Loss for the year		-	(2 048 272)	(2 048 272)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>(2 048 272)</b>	<b>(2 048 272)</b>
Issue of ordinary shares		101 530	-	101 530
Contribution to a subsidiary <sup>(1)</sup>		-	31	31
<b>Balance as at 30 June 2023</b>	8	<b>6 237 888</b>	<b>(5 007 048)</b>	<b>1 230 840</b>

<sup>(1)</sup> This relates to a common control transaction where the company transferred investments to Ascendis Health SA Holdings (Pty) Ltd.

# Company statement of cash flows

## for the year ended 30 June 2023

	Notes	2023 R'000	2022 R'000
Cash utilised by operations	10	31	(8 177)
Interest income received	2	986	83
<b>Net cash outflow from operating activities</b>		<b>1 017</b>	<b>(8 094)</b>
<b>Cash flows from financing activities</b>			
Loans received from related parties	5	-	30 676
Proceeds from issue of shares	9	101 530	-
Repayment of loans received from related parties	5	(124 962)	-
<b>Net cash (outflow) / inflow from financing activities</b>		<b>(23 432)</b>	<b>30 676</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(22 415)</b>	<b>22 582</b>
Cash and cash equivalents at beginning of year		23 209	627
<b>Cash and cash equivalents at end of year</b>	6	<b>794</b>	<b>23 209</b>

# Accounting policies

## for the year ended 30 June 2023

### Corporate information

Ascendis Health Limited is incorporated and domiciled in South Africa, where its ordinary shares are publicly traded on the Securities Exchange of the JSE Limited. Ascendis Health Limited is the ultimate parent company of the group.

### Basis of preparation

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

### Principal accounting policies

The principal accounting policies applied in the preparation of the company financial statements are the same as those presented in the consolidated group financial statements, to the extent that the group's transactions and balances are applicable to the company financial statements.

The accounting policies, which are additional to those applied by the group as set out below and in the related notes to the company financial statements. The principal accounting policies are applied consistently with those adopted in the prior year.

### Financial Instruments

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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has not applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets are not reclassified unless the company changes its business model. In rare circumstances where the company does change its business model, reclassifications are done prospectively from the date that the company changes its business model. Financial liabilities are classified as measured at amortised cost except for those derivative liabilities that are measured at fair value through profit or loss.

# Accounting policies

## for the year ended 30 June 2023

### Financial Instruments (continued)

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

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument. The net difference between extinguished original debt instrument and recognition of new debt instrument is recorded in profit or loss. Gains or losses arising from the modification of the terms of a debt instrument are recognised immediately in profit or loss where the modification does not result in derecognition of the existing instrument.

The company assessed on a forward-looking basis, the expected credit loss allowance (ECL) on all financial assets that are not held at fair value through profit or loss. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the company in accordance with the contract and the cash flows that the company expects to receive. ECLs are discounted at the original effective interest rate (EIR) of the financial asset. ECL are measured on either a 12-month or lifetime basis depending on whether there has been a significant increase in credit risk since initial recognition or whether the asset is considered credit-impaired. ECL are the discounted product of the probability of default (PD) and exposure at default (EAD).

The PD represents the likelihood of a counterparty defaulting on its financial obligation, either over 12 months (12-month PD) or over the remaining life (lifetime PD) of the obligation

The EAD is based on the amounts the company expected to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining life (lifetime EAD).

The company calculates loss given default (LGD) as discounted EAD.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company recognises in profit or loss, as an impairment loss or reversal, the amount of ECL that is required to adjust the loss allowance at the end of the reporting period. When a receivable is uncollectible, it is written off against the allowance for impairment for that receivable. Subsequent recoveries of amounts previously written off are recognised in the statement of profit or loss.

The company defines a financial instrument in default when the counterparty fails to make contractual payments within 90 days of when they fall due.

The company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. This is the point when the company's collection activities are unable to recover outstanding balances.

The company considered financial assets subject to assessment for ECL in terms of the general impairment model to have experienced a significant increase in credit risk since the time of initial recognition when one or more of the following criteria have been met:

# Accounting policies

## for the year ended 30 June 2023

### Financial Instruments (continued)

#### Quantitative

Where the counterparty has not met its minimum contractual obligations.

#### Quantitative criteria

The company considered available reasonable and supportive forward-looking information incorporating the following indicators, where applicable:

- Expected delay in payment Changes in the amount of financial support available to the counterparty.
- Changes in the general economic and/or market conditions.
- Internal and external credit ratings.

#### Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment. The cost of an investment in a subsidiary is the aggregate of:

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

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

Any potential impairment is determined on a basis consistent with the accounting policy on the impairment of intangible assets as presented in note 4 of the financial statements.

#### Stated capital

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

# Accounting policies

## for the year ended 30 June 2023

### Significant estimates and accounting judgements

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

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

#### Significant estimates and judgements were made on the following items:

##### Key estimates

- Estimation of the expected credit loss allowance and measurement of financial guarantee liability (Note 12).
- Impairment testing and valuation of investments held by the company (Note 4).
- Recoverability of deferred tax assets (Note 9).



# Notes to the Company financial statements

## for the year ended 30 June 2023

### 1. Other operating expenses

Operating expenses primarily comprise of all costs that the company incurs as part of its normal operations. These include but are not limited to, audit fees, bank charges, listing fees, foreign exchange losses and other costs.

	2023 R'000	2022 R'000
Audit fees	897	257
Bank charges	16	9
Listing fees	2 365	-
(Gain)/Loss on exchange differences	(2 243)	192 226
Professional fees	-	47
Project costs	4 632	7 139
Loss on disposal of investments	3	-
Other operating expenses/(reversals)	27	(348)
	<b>5 697</b>	<b>199 330</b>

Directors appointed in Ascendis Health Limited are remunerated through subsidiary entities and has been adequately disclosed in the Group results in note 31 as part of the key management compensation.

### 2. Finance income and costs

#### Finance income

Finance income comprises of interest income on bank balances. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

#### Finance costs

Finance costs comprise interest expense arising from tax liabilities to SARS, bank overdrafts and unwinding of deferred vendor liabilities. All borrowing costs are recognised in profit or loss using the effective interest method.

	Financial class	2023 R'000	2022 R'000
<b>Finance costs</b>			
Interest on deferred vendor liability	Amortised cost	-	(4 139)
SARS	Amortised cost	(725)	(1 352)
		<b>(725)</b>	<b>(5 491)</b>
<b>Finance income</b>			
Interest received on bank	Amortised cost	986	83
		<b>986</b>	<b>83</b>
<b>Net finance income / (costs)</b>		<b>261</b>	<b>(5 408)</b>

# Notes to the Company financial statements (continued)

## for the year ended 30 June 2023

### 3. Income tax expense

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

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

#### Major components of the tax expense

	2023 R'000	2022 R'000
<b>Current Tax</b>		
Current tax on profits for the period	-	-
Prior years under provision of tax	-	-
	-	-
<b>Deferred</b>		
Current deferred tax charge	-	(51 308)
	-	<b>(51 308)</b>
<b>Income tax expense</b>	<b>-</b>	<b>(51 308)</b>
<b>Tax at the South Africa tax rate</b>	<b>(27.0%)</b>	<b>(28.0%)</b>
Fines, penalties and interest	0.0%	0.1%
Non- taxable income	0.0%	1.2%
Disallowable charges- impairment of investments	0.0%	198.0%
Disallowable charges- foreign restructuring expenses	0.1%	0.0%
Disallowable charges-financial guarantee liability	0.0%	(42.5%)
Disallowable charges- provisions	26.9%	(149.0%)
Foreign exchange	0.0%	0.9%
<b>Average effective tax rate</b>	<b>0.0%</b>	<b>(19.3%)</b>

At year end there were no deferred tax assets or liabilities recognised and therefore there are no long-term effect of the tax rate change. The unrecognized tax loss is R191.7 million at 27%, being R51.8 million.

# Notes to the Company financial statements (continued)

## for the year ended 30 June 2023

### 4. Investments in subsidiaries

The following table lists the entities which are controlled directly by the company, and the carrying value net of impairment, of the investments in the financial statements:

Name of subsidiary	CGU	2023	2022	2023	2022
		% of ordinary shares held	% of ordinary shares held	R'000	R'000
Ascendis Health SA Holdings (Pty) Ltd <sup>(1)</sup>	Head Office	100%	100%	522 751	338 067
K2013197766 South Africa (Pty) Ltd	Chempure	0%	100%	-	3
<b>Total</b>				<b>522 751</b>	<b>338 070</b>

<sup>(1)</sup> During the 2023 financial year, additional shares were issued of R185 million by Ascendis Health SA Holdings (Pty) Ltd to which the entity subscribed.

#### Impairment tests for investments in subsidiaries

No impairment tests were performed during the current year because there were no indicators triggering impairment as there were no major changes in the financial conditions of the investee.

# Notes to the Company financial statements (continued)

## for the year ended 30 June 2023

### 5. Loans to / (from) related parties

Loans to / (from) related parties constitute the transfer of funds between the company and a party related to the Ascendis group of companies, based on agreed terms of repayment and interest rates as stated in the loan agreements.

2023		Gross carrying amount	Expected credit loss allowance	Net carrying amount
		R'000	R'000	R'000
Loans receivable	Basis for loss allowance <sup>(1)</sup>			
Ascendis Health SA Holdings (Pty) Ltd	Lifetime ECL	98 712	-	98 712
Anti-Aging Technologies (Pty) Ltd	Lifetime ECL	17	(17)	-
Ascendis Consumer Brands (Pty) Ltd	Lifetime ECL	25 656	(25 656)	-
Ascendis Financial Services (Pty) Ltd	Lifetime ECL	2 717 294	(2 131 781)	585 513
Ascendis Management Services (Pty) Ltd	Lifetime ECL	134 613	(134 613)	-
Ascendis Supply Chain properties (Pty) Ltd (K766)	Lifetime ECL	34 010	(6 977)	27 033
Chempure (Pty) Ltd	Lifetime ECL	30 008	(30 008)	-
Elixir Brands (Pty) Ltd	Lifetime ECL	9 425	(9 425)	-
K2013126193 (South Africa) (Pty) Ltd	Lifetime ECL	62 152	(62 152)	-
Marltons Pets & Products (Pty) Ltd	Lifetime ECL	3 000	(3 000)	-
		<b>3 114 887</b>	<b>(2 403 629)</b>	<b>711 258</b>

2022		Gross carrying amount	Expected credit loss allowance	Net carrying amount
		R'000	R'000	R'000
Loans receivable	Basis for loss allowance <sup>(1)</sup>			
Ascendis Health SA Holdings (Pty) Ltd	Lifetime ECL	98 712	(14 560)	84 152
Anti-Aging Technologies (Pty) Ltd	Lifetime ECL	17	(3)	14
Ascendis Consumer Brands (Pty) Ltd	Lifetime ECL	25 656	(3 567)	22 089
Ascendis Financial Services (Pty) Ltd	Lifetime ECL	2 832 322	(224 303)	2 608 019
Ascendis Health UK Ltd	Lifetime ECL	66 929	(66 929)	-
Ascendis Management Services (Pty) Ltd	Lifetime ECL	71 535	(7 769)	63 766
Ascendis Pharma Holdings (Pty) Ltd	Lifetime ECL	22 308	(2 218)	20 090
Ascendis Supply Chain properties (Pty) Ltd (K766)	Lifetime ECL	41 000	(3 669)	37 331
Chempure (Pty) Ltd	Lifetime ECL	30 008	(2 695)	27 313
Elixir Brands (Pty) Ltd	Lifetime ECL	9 425	(840)	8 585
K2013126193 (South Africa) (Pty) Ltd	Lifetime ECL	62 152	(9 506)	52 646
Marltons Pets & Products (Pty) Ltd	Lifetime ECL	3 000	(3 000)	-
Pharmachem Pharmaceuticals (Pty) Ltd	Lifetime ECL	35 473	(1 710)	33 763
The Scientific Group (Pty) Ltd	Lifetime ECL	127 707	(20 024)	107 683
		<b>3 426 244</b>	<b>(360 793)</b>	<b>3 065 451</b>

# Notes to the Company financial statements (continued)

## for the year ended 30 June 2023

### 5. Loans to / (from) related parties (continued)

	2023	2022
	R'000	R'000
Non-current	-	-
Current	711 258	3 065 451
Net loans receivable	<b>711 258</b>	<b>3 065 451</b>

	2023	2022
	R'000	R'000
<b>Reconciliation of expected credit loss allowance</b>		
Opening balance	(360 793)	(1 777 778)
Reversal of impairment/(impairment) <sup>(1)</sup>	(2 042 836)	1 416 985
Movement in loans balance	-	824 383
Changes in risk profile	(2 042 836)	592 602
<b>As at 30 June</b>	<b>(2 403 629)</b>	<b>(360 793)</b>

<sup>(1)</sup> The increase in the loss allowance is due to a increase in the probability of default (PD) used to calculate the ECL following from the continued financial loss incurred by the subsidiary operations in the current financial period.

The company's loans to and from its subsidiaries have no fixed repayments terms and bear no interest.

The carrying value of the loans receivable and payable closely approximates the fair value due to the short term nature thereof.

	2023	2022
	R'000	R'000
<b>Loans payable</b>		
Ascendis Financial Services (Pty) Ltd	-	209 722
Ascendis Bioscences (Pty) Ltd	-	24 674
	<b>-</b>	<b>234 396</b>

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

	2023	2022
	R'000	R'000
<b>Loans payable movement:</b>		
As at 1 July	234 396	140 819
Loans advanced in cash during the year	5 625	30 676
Loans repaid in cash during the year	(130 587)	-
Other loan advances during the current year <sup>(3)</sup>	19 516	62 901
Reclassification to loans receivable	(58 942)	-
Other charges <sup>(2)</sup>	(70 008)	-
<b>As at 30 June</b>	<b>-</b>	<b>234 396</b>

<sup>(2)</sup> Other charges are made up of non-cash settlements which were part of the Group restructure.

<sup>(3)</sup> These are non-cash because it relates to payments made by other group companies on behalf of the company.

# Notes to the Company financial statements (continued)

## for the year ended 30 June 2023

### 6. Cash and cash equivalents

Cash and cash equivalents are accounted for at amortised cost.

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

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

	2023	2022
	R'000	R'000
<b>Cash and cash equivalents consists of:</b>		
Bank current account	601	23 049
Bank foreign currency accounts	193	160
<b>Cash and cash equivalents per the cash flow statement</b>	<b>794</b>	<b>23 209</b>

### 7. Trade and other payables

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

	2023	2022
	R'000	R'000
Trade payables	840	1 004
Accrued expenses <sup>(1)</sup>	715	322
	<b>1 555</b>	<b>1 326</b>

<sup>(1)</sup> Accrued expenses comprise audit fees and project costs.

### 8. Stated capital

	2023	2022
	R'000	R'000
<b>Issued ordinary shares</b>	<b>6 237 888</b>	<b>6 136 358</b>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>
<b>Authorised shares (no par value)</b>	<b>2 000 000</b>	<b>2 000 000</b>
<b>Reconciliation of number of shares in issue (fully paid up):</b>		
Ordinary shares - opening balance	489 470	489 470
Issued during the year	143 000	-
<b>Ordinary shares - closing balance</b>	<b>632 470</b>	<b>489 470</b>

# Notes to the Company financial statements (continued)

## for the year ended 30 June 2023

### 9. Deferred tax

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

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

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

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

	2023 R'000	2022 R'000
<b>Deferred tax liability</b>		
Limit Deferred Tax Asset - Assessed losses to Nil	-	(82)
Change in statutory tax rate	-	3
<b>Total deferred tax liability</b>	-	<b>(79)</b>
<b>Deferred tax asset</b>		
Deferred Tax Asset - Assessed losses	-	82
Change in statutory tax rate	-	(3)
<b>Total deferred tax asset</b>	-	<b>79</b>
<b>Deferred tax asset / (liability) - movement</b>		
Opening balance	-	(51 308)
Charges to profit and loss - current year		
- Foreign exchange (losses)/gains	-	(142 853)
Charges to profit and loss - Prior year correction		
- Expected credit losses	-	244 083
- Limitation of deferred tax to nil	-	(49 922)
Closing balance	-	-
Deferred tax liability	-	(79)
Deferred tax asset	-	79
<b>Total net deferred tax liability</b>	-	<b>-</b>

The deferred tax asset has been limited based on the company's ability to generate future taxable profits.

# Notes to the Company financial statements (continued)

## for the year ended 30 June 2023

### 10. Cash flow from operating activities

	2023	2022
	R'000	R'000
Loss before taxation	(2 048 272)	(266 073)
Adjustments for:		
Net finance cost	2 (261)	5 408
Foreign exchange differences	1 (2 271)	191 819
Movement in financial guarantee liability	-	(403 769)
Profit on investment disposal	1 3	-
Expenses paid on behalf of company	7 767	-
Expected credit loss allowance on loans to related parties	5 2 042 836	465 104
<b>Changes in working capital:</b>		
Trade and other payables	7 229	-
Provisions	-	(666)
<b>Cash utilised by operations</b>	<b>31</b>	<b>(8 177)</b>

### 11. Tax paid

	2023	2022
	R'000	R'000
Balance at the beginning of the year	(13 457)	(18 655)
Other charges and penalties	(725)	(1 352)
Tax payments made on behalf of the company <sup>(1)</sup>	11 775	6 550
<b>Balance at the end of the year</b>	<b>(2 407)</b>	<b>(13 457)</b>

<sup>(1)</sup> These payments are capitalised to the loans payable to related parties.



# Notes to the Company financial statements (continued)

## for the year ended 30 June 2023

### 12. Financial risk management

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

#### Categories of financial instruments

	Amortised cost R'000	Total carrying amount <sup>(1)</sup> R'000
<b>2023</b>		
<b>Financial assets</b>		
Loans to related parties	711 258	711 258
Cash and cash equivalents	794	794
	<b>712 052</b>	<b>712 052</b>
<b>Financial liabilities</b>		
Loans from related parties	-	-
Trade and other payables	757	757
	<b>757</b>	<b>757</b>
<b>2022</b>	<b>R'000</b>	<b>R'000</b>
<b>Financial assets</b>		
Loans to related parties	3 065 451	3 065 451
Cash and cash equivalents	23 209	23 209
	<b>3 088 660</b>	<b>3 088 660</b>
<b>Financial liabilities</b>		
Deferred vendor liability	-	-
Financial guarantee liability	-	-
Loans from related parties	234 396	234 396
Trade and other payables	1 326	1 326
	<b>235 722</b>	<b>235 722</b>

<sup>(1)</sup> The carrying amount of the financial assets and liabilities closely approximates the fair value.

#### Liquidity risk

The amounts disclosed in the table are the contractual discounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	3 months					Total R'000
	3 months R'000	1 year R'000	1 and 2 years R'000	2 and 5 years R'000	Over 5 years R'000	
<b>2023</b>						
Trade and other payables	83	-	-	-	-	83
<b>Total</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83</b>

	3 months					Total R'000
	3 months R'000	1 year R'000	1 and 2 years R'000	2 and 5 years R'000	Over 5 years R'000	
<b>2022</b>						
Financial guarantee liability	498 164	-	-	-	-	498 164
Loans from related parties	234 396	-	-	-	-	234 396
Trade and other payables	1 326	-	-	-	-	1 326
<b>Total</b>	<b>733 886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>733 886</b>

# Notes to the Company financial statements (continued)

## for the year ended 30 June 2023

### Credit risk

Balances held by the company that are exposed to credit risk are as follow:

	2023 R'000	2022 R'000
The company is exposed to the following financial assets:		
Loans to related parties	711 258	3 065 451
Cash and cash equivalents - Ba3	687	626
Cash and cash equivalents - Ba2	107	22 583
	<b>712 052</b>	<b>3 088 660</b>

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

The company was exposed to the group debt facility which it guarantees in the prior year. The face value of the facility as at 30 June 2022 was R498 million.

### Impairment of financial assets

Credit risk or the risk of financial loss to the company is due to customers or counterparties not meeting their contractual obligations. It is managed through application of credit approvals, limits and monitoring procedures. Credit risk arises from cash and cash equivalents, other financial assets carried at amortised cost, derivatives financial assets and deposits with banks and financial institutions as well as credit exposures to all customers including all outstanding receivables.

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

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

### Simplified parameter-based approach

The company applies the following credit risk grading:

Stage 1 - applies when the counterparty has a low risk of default and does not have any past-due amounts. 12-month ECL is used as basis for recognising ECL;

Stage 2 - applies when the receivable is more than 30 days past due or when there has been significant increase in credit risk since initial recognition. The receivable is not credit-impaired and lifetime ECL is used as basis for recognising ECL; and

Stage 3 - applies when the receivable is 90 days past due or when there is evidence indicating that the receivable is credit impaired. The receivable is credit-impaired and lifetime ECL is used as basis for recognising ECL;

# Notes to the Company financial statements (continued)

## for the year ended 30 June 2023

### 12. Financial risk management (continued)

	Gross R'000	Impaired R'000	Net R'000
<b>2023</b>			
Loans to related parties	3 114 887	(2 403 629)	711 258
<b>2022</b>			
Loans to related parties	3 426 244	(360 793)	3 065 451

The loans to related parties are assessed as stage 2 and lifetime ECL has been applied in calculating the allowance.

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

	2023 R'000	2022 R'000
Opening loss allowance	(360 793)	(1 777 777)
Movement in loans balance	–	824 382
Changes in risk parameters	(2 042 836)	592 602
<b>As at 30 June</b>	<b>(2 403 629)</b>	<b>(360 793)</b>

#### Cash and cash equivalents

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

Financial institution	Rating
Standard Bank South Africa	Ba3
Investec Bank Limited	Ba2

#### Interest rate risk

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

#### Capital risk management

The company is not significantly exposed to capital risk. The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

# Appendix A: Interests in subsidiaries

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

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

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

The following companies have been disposed during the year by the group:

- Ascendis Pharma (Pty) Ltd
- Alliance Pharma (Pty) Ltd
- Bolus Distribution (Pty) Ltd
- Medicine Developers International (Pty) Ltd
- Pharmachem Pharmaceuticals (Pty) Ltd

The following companies have been deregistered during the year:

- Ascendis Health UK Ltd
- Ascendis Medical (Pty) Ltd
- Ascendis Pharma Healthcare Holdings (Pty) Ltd
- Dealcor Forty (Pty) Ltd
- K2012179211 (South Africa) (Pty) Ltd
- Lexshell 834 Investments (Pty) Ltd

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

# Appendix A: Interests in subsidiaries (continued)

	Ordinary shares held by the group (%)	
	2023	2022
<b>CONSUMER HEALTH</b>		
Anti-Aging Technologies (Pty) Ltd	100%	100%
Ascendis Consumer Brands (Pty) Ltd	100%	100%
Ascendis Health UK Ltd~	0%	100%
Ascendis Supply Chain (Pty) Ltd	100%	100%
Bolus Distribution (Pty) Ltd^	0%	100%
Chempure (Pty) Ltd	100%	100%
Dealcor Forty (Pty) Ltd~	0%	100%
K2012179211 (South Africa) (Pty) Ltd~	0%	100%
K2013197766 (Pty) Ltd	100%	100%
K2013126193 (South Africa) (Pty) Ltd	100%	100%
The Compounding Pharmacy of South Africa (Pty) Ltd	100%	100%
<b>MEDICAL</b>		
Ascendis Medical Supplies (Pty) Ltd (Namibia)	100%	100%
Ascendis Medical (Pty) Ltd~	0%	100%
Cardio Tech Pty Ltd t/a Cardaxes	100%	0%
Interv Med (Pty) Ltd	100%	0%
Lexshell 834 Investments (Pty) Ltd~	0%	100%
Ortho-Xact (Pty) Ltd	100%	100%
Surgical Innovations (Pty) Ltd°	0%	100%
The Scientific Group (Pty) Ltd	100%	100%
<b>HEAD OFFICE</b>		
Ascendis Financial Services (Pty) Ltd	100%	100%
Ascendis Health SA Holdings (Pty) Ltd	100%	100%
Ascendis Management Services (Pty) Ltd	100%	100%
Elixr Brands (Pty) Ltd	100%	100%
Ascendis Health Spain Holdings SL#	100%	100%
<b>PHARMA</b>		
Ascendis Pharma Healthcare Holdings (Pty) Ltd~	0%	100%
Alliance Pharma (Pty) Ltd^	0%	100%
Ascendis Pharma (Pty) Ltd^	0%	100%
Ascendis Pharma Holdings (Pty) Ltd	100%	100%
Medicine Developers International (Pty) Ltd^	0%	100%
Pharmachem Pharmaceuticals (Pty) Ltd^	0%	100%
<b>BIOSCIENCES</b>		
Ascendis Biosciences (Pty) Ltd	100%	100%
Klipspringer Products (Pty) Ltd	100%	100%

^entity disposed of during the year

~entity deregistered during the year

°deemed disposal of entity during the year

# Appendix B: Shareholders' information

	30 June 2023		30 June 2022	
	Number of shares	Percentage of shares	Number of shares	Percentage of shares
<b>Spread of ordinary shareholders</b>				
Public shareholders <sup>(1)</sup>	415 075 683	65.6%	400 776 015	81.9%
Non-public shareholders				
- Directors, associates and associates of the company	210 969 793	33.4%	80 602 794	16.5%
- Treasury shares (own holdings)	6 424 483	1.0%	8 091 150	1.7%
<b>Total</b>	<b>632 469 959</b>	<b>100.0%</b>	<b>489 469 959</b>	<b>100.0%</b>

<sup>(1)</sup> Represents 16 232 public shareholders

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 5% or more of the issued share capital at 30 June 2023:

Major beneficial shareholders holding 5% or more	30 June 2023		30 June 2022	
	Number of shares	Percentage of shares	Number of shares	Percentage of shares
Calibre Investment Holdings (Pty) Ltd	78 072 509	12.3%	10 053 973	2.1%
International Finance Corporation	61 686 663	9.8%	61 686 663	12.6%
Kefolile Health Investments (Pty) Ltd	56 321 482	8.9%	56 321 482	11.5%
Alpvest Equities (Pty) Ltd	47 802 918	7.6%	36 608 772	7.5%
Cresthold (Pty) Ltd	44 087 648	7.0%	10 465 259	2.1%
Dendrobium Capital (Pty) Ltd	36 741 922	5.8%	9 100 000	1.9%

30 June 2023	30 June 2023		30 June 2022	
Distribution of registered shareholdings	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1 - 1 000	12 661	77.9%	1 784 676	0.3%
1 001 - 10 000	2 417	14.9%	8 344 886	1.3%
10 001 - 100 000	880	5.4%	30 190 303	4.8%
100 001 - 1 000 000	228	1.4%	66 154 112	10.5%
1 000 001 shares and over	64	0.4%	525 995 982	83.1%
	<b>16 250</b>	<b>100.0%</b>	<b>632 469 959</b>	<b>100.0%</b>

# Administration

<b>Country of Incorporation and domicile</b>	South Africa
<b>Registration number</b>	2008/005856/06
<b>Income tax number</b>	9810/017/15/3
<b>JSE and A2X share code</b>	ASC
<b>ISIN</b>	ZAE000185005
<b>Registered office</b>	1 Carey Street Wynberg Gauteng 2191
<b>Postal address</b>	PostNet Suite #252 Private Bag X21 Bryanston 2021
<b>Contact details</b>	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
<b>JSE sponsor</b>	Valeo Capital Proprietary Limited
<b>Auditors</b>	PricewaterhouseCoopers Inc. (terminated 17 March 2023) Nexia SAB&T. (appointed 6 April 2023)
<b>Transfer secretaries</b>	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 Private Bag X9000, Saxonwold, 2132 Telephone: +27 (0)11 370 5000
<b>Company secretary (acting)</b>	Joseph Fine (B Soc Sci LLB) investor.relations@ascendishealth.com
<b>Directors</b>	B Harie (Chairman)** SL Mulaudzi~ K Wellner* T De Bruyn~^ A Chetty* AC Neethling (CEO and acting CFO)  * <i>Independent non-executive</i> ~ <i>Non-executive</i> ^ <i>Appointed 19 October 2022</i> # <i>Appointed as Chairman 9 December 2022</i>  HJ Smit retired as chairman and independent non-executive director on 30 November 2022 and was not re-elected. CJ Kujenga resigned as an executive director on 30 September 2022.



ASCENDIS HEALTH

1 Carey Street  
Wynberg  
Gauteng  
2191

*Phone*  
+27 (0)11 036 9600

*Email*  
[info@ascendishealth.com](mailto:info@ascendishealth.com)

*Website*  
[www.ascendishealth.com](http://www.ascendishealth.com)