



GROUP ANNUAL FINANCIAL STATEMENTS

For the year ended
30 June 2021



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Group company secretary's certification

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

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that, to the best of my knowledge, for the year ended 30 June 2021, Ascendis Health Limited group has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



TM Nkuna (B Com, LLB)
Group company secretary
Johannesburg
30 September 2021

Directors' responsibilities and approval

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

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

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

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

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

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

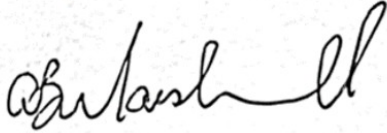
The Board has considered the impact of COVID-19 on the group as detailed under point 12 in the Directors' report.

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. This is based on the successfully implementation of the debt recapitalisation, forecasts and available cash resources. Refer to detailed information on the going concern assumption in the audit and risk committee report on page 13, directors' report on page 21 and accounting policy note on page 32.

The group's external auditor, PricewaterhouseCoopers Inc., audited the group annual financial statements and its report is presented on pages 10 to 12.

Directors' responsibilities and approval

The group annual financial statements, as set out on pages 21 to 145, were prepared under the supervision of the chief financial officer, CJ Kujenga CA (SA) and approved for issue by the board on 30 September 2021 and are signed on its behalf by:



AB Marshall
Independent non-executive chairman
Johannesburg
30 September 2021



MJ Sardi
Chief executive officer
Johannesburg
30 September 2021

CEO and CFO's Responsibility Statement

In line with paragraph 3.84(k) of the JSE Limited (JSE) Listings Requirements, the chief executive officer (CEO) and chief financial officer (CFO) hereby confirm that:

- a. The annual financial statements set out in pages 27 to 136, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- b. No facts have been omitted or untrue statements 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; and
- d. The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



MJ Sardi
Chief executive officer
Johannesburg
30 September 2021



CJ Kujenga
Chief financial officer
Johannesburg
30 September 2021

Independent auditor's report

Independent auditor's report

To the Shareholders of Ascendis Health Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ascendis Health Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

Ascendis Health Limited's consolidated financial statements set out on pages 27 to 143 comprise:

- the group statement of financial position as at 30 June 2021;
- the group statement of profit or loss for the year then ended
- the group statement of comprehensive income for the year then ended;
- the group statement of changes in equity for the year then ended;
- the group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Basis for opinion

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

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

* The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.

Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Independent auditor's report (continued)

Independence

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

Material uncertainty relating to going concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that the Group's current liabilities exceeded its current assets by R40.1 million as at 30 June 2021 and that the Group incurred a net loss before taxation from continuing operations of R1 531 million during the year then ended. Furthermore, the Group's total level of debt continues to increase and its ability to repay its debt as it becomes due is dependent on the successful implementation of the group recapitalisation. This recapitalisation will result in the transfer of certain of the Group's assets to the majority lenders in exchange for certain existing debt obligations being extinguished and the provision of new debt facilities. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

	Overall group materiality <ul style="list-style-type: none">Overall group materiality: R50.5 million, which represents 3.3% of consolidated loss before tax from continuing operations.
	Group audit scope <ul style="list-style-type: none">The consolidated financial statements comprise 103 components.We performed full scope audits on 19 components due to their financial significance and in order to obtain sufficient appropriate audit evidence on which to base the group audit opinion.Analytical review procedures were performed over the remaining components.
	Key audit matters <ul style="list-style-type: none">Valuation, presentation and disclosure of discontinued operations and assets held for sale.

Independent auditor's report (continued)

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

Materiality

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

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

<i>Overall group materiality</i>	<i>R 50.5 million.</i>
<i>How we determined it</i>	<i>3.3% of consolidated loss before tax from continuing operations.</i>
<i>Rationale for the materiality benchmark applied</i>	<p><i>We chose consolidated loss before tax from continuing operations as the benchmark due to the number of subsidiaries that are classified as discontinued operations as at 30 June 2021. Normalised EBITDA for the 2021 financial year significantly decreased at year end and therefore this benchmark is not appropriate given the forward-looking strategy of management to be a profitable group with low levels of debt. Hence, consolidated loss before tax from continuing operations is, in our view, the benchmark against which the performance of the Group is most commonly measured by users in the current year, and is a generally accepted benchmark.</i></p> <p><i>We chose 3.3% based on professional judgement and after consideration of the range of quantitative materiality thresholds that would typically apply when using consolidated loss before tax from continuing operations to compute materiality. The considerations included taking cognisance of the widely intended users of the consolidated financial statements as well as the significant level of external debt.</i></p>

Independent auditor's report (continued)

How we tailored our group audit scope

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

The Group owns a portfolio of brands within five core health care areas, namely Consumer Health, Pharma, Medical, Biosciences and Animal Health, operating across various geographical locations including Africa and Europe. The consolidated financial statements are a consolidation of 103 components. We performed full scope audits on 19 components due to their financial significance to the Group, and in order to obtain sufficient appropriate audit evidence on which to base the group audit opinion. Analytical procedures were performed on the remaining components.

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

Key audit matters

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

Independent auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation, presentation and disclosure of discontinued operations and assets held for sale</i></p> <p><i>Management concluded that the following disposal groups will be reported in accordance with IFRS 5 – 'Non-current Assets Held for Sale and Discontinued Operations' ("IFRS 5") in the 2021 consolidated financial statements:</i></p> <p><i>Discontinued Operations:</i></p> <ul style="list-style-type: none"> • <i>Animal Health;</i> • <i>Respiratory Care Africa (RCA);</i> • <i>Farmalider; and</i> • <i>Ascendis Health International Holdings (AHIH) Group.</i> <p><i>Assets/liabilities Held for Sale:</i></p> <ul style="list-style-type: none"> • <i>Animal Health;</i> • <i>Respiratory Care Africa;</i> • <i>Farmalider; and</i> • <i>AHIH Group.</i> <p><i>Completed Disposals:</i></p> <ul style="list-style-type: none"> • <i>Ascendis Direct;</i> • <i>Scitec;</i> • <i>Dezzo; and</i> • <i>Biosciences</i> <p><i>The valuation of these amounts involve judgement and estimates, including:</i></p> <ul style="list-style-type: none"> • <i>Significant judgement applied by</i> 	<p>Utilising our accounting expertise, we performed the following procedures:</p> <ul style="list-style-type: none"> • Reviewed all contracts and agreements relating to these transactions to obtain an understanding of the effective contract dates , relevant proceeds and costs associated with the transactions; • Agreed the gross selling price and adjustments per management's calculations of fair value less costs to sell to signed contracts. We noted no material differences; • Obtained an understanding of management's assumptions used to estimate the future costs to sell. We then evaluated the reasonability of these costs with reference to independently determined threshold percentages based on costs to sell for similar publicly available Ascendis disposals. We noted no matters requiring further consideration; • We recomputed management's fair value less costs to sell for mathematical accuracy. No differences were noted; • We compared management's valuations to the net asset values of discontinued operations and held for sale assets and agreed the difference to the value of IFRS 5 impairments recognised by management. We noted no material differences; • We tested the completeness and accuracy of the financial results included

Independent auditor's report (continued)

management in determining the effective date of classifying the discontinued operations in terms of the requirements of IFRS 5, which included the date when the restructuring plan was concluded;

- *taking into account signed sales agreements and the group recapitalisation implementation agreement in determining the appropriate fair value less costs to sell for the discontinued operations and related measurements;*

- *Judgements generally required by IFRS 5 as follows:*

o when determining selling price adjustments as per the sales contracts;

o estimates of all costs required to fulfill conditions precedent and execution of the particular contract; and

o consideration of whether the assets are impaired in terms of IFRS 5 at reporting date.

We consider the valuation, presentation and disclosure of discontinued operations and assets held for sale to be a matter of most significance to our current year audit due to the following:

- *significant judgements and estimates applied in the valuation;*
- *due to the number of entities classified under IFRS 5, the overall presentation and disclosure of the financial statements is affected pervasively;*
- *magnitude of the assets and liabilities held for sale balances recognised in the consolidated statement of financial position; and*
- *quantum of profit from discontinued operations that directly impacts the consolidated statement of profit or loss and the consolidated statement of comprehensive income.*

Refer to the following notes to the consolidated financial statements for details:

- Note 5 - Discontinued Operations; and
- Note 6 - Disposal of subsidiaries

in the disposal group held for sale, by comparing these to the financial results of the respective underlying businesses. We noted no material differences; and

- Evaluated the adequacy and accuracy of financial statement disclosures regarding these disposal transactions with reference to the requirements in IFRS 5 by agreeing the IFRS 5 disclosures per the consolidated financial statements to the financial records of the respective operations as well as to management's calculations, as applicable. We noted no matters requiring further consideration.

Independent auditor's report (continued)

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 Annual Financial Statements for the year ended 30 June 2021", which includes the Directors' Report, the Audit committee report and the Group company secretary's certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the documents titled "Ascendis Health Limited Annual Financial Statements for the year ended 30 June 2021" and "Ascendis Health Integrated Annual Report 2021", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the

Independent auditor's report (continued)

date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

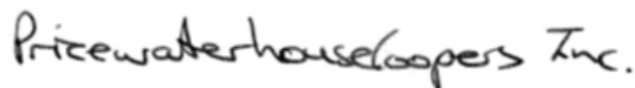
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Ascendis Health Limited for 8 years.



PricewaterhouseCoopers Inc.
Director: Louis Rossouw
Registered Auditor
Johannesburg, South Africa
30 September 2021

Audit committee report

1. Introduction

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

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

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

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

On 11 March 2020, the World Health Organisation officially declared coronavirus 2019 (Covid-19), the disease caused by a novel coronavirus, a pandemic. The unprecedented nature of the global Covid-19 pandemic resulted in the Ascendis Health board taking primary responsibility for responding to this matter for the protection of shareholders, customers and employees. The committee continued to closely monitor the evolution of this pandemic and its impact on the group, the economy and the general population.

None of the group’s operations were subject to lockdown as the group is regarded as an essential service provider. However, the suspension or delay of elective surgeries, the lower levels of trauma resulting from lockdown restrictions and the closure of many salons impacted on the results reported by the Medical Devices and Consumer segments.

The committee will continue to monitor and assess the ongoing developments and respond accordingly.

2. Purpose and activities of the committee

The committee performed the following functions during the year:

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

Audit committee report

2. Purpose and activities of the committee (continued)

- Ensured that the scope of non-audit services did not compromise the independence of the external auditor. Please also refer to point 8 below in this regard.
- Had oversight of the activities and co-ordination of the internal and external audits.
- Received feedback from management and internal audit on systems of internal control.
- Reviewed and received assurances on the independence and objectivity of the external auditor.
- Reviewed the competence of the external and internal auditors.
- Considered the effectiveness of internal audit, approved the annual internal audit plan and monitored adherence of internal audit to its plan.
- Approved the audit fees for both internal and external audit.
- Reviewed the performance of the group against loan covenants.
- Confirmed that the adoption of the going-concern premise in the preparation of the financial results is appropriate.
- Reviewed the group's policies and procedures on risk management and legal requirements.
- Monitored the fraud and litigation register on an ongoing basis.
- Had oversight of IT development with ongoing feedback on progress to the committee.
- Received feedback on follow up matters arising from the 2020 external audit management letter.
- Conducted an annual assessment of the committee and its members.
- Considered the expertise and experience of the 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 of the group tax committee and implementation of the group tax strategy.
- Regularly reviewed the risk registers.
- Ensured that the group has established appropriate financial reporting procedures and that those procedures are operating effectively.
- Received feedback on the group's enterprise risk management (ERM) maturity assessment.

3. Composition of the committee

The committee comprises three independent non-executive directors who are financially literate. During the reporting period, Mary Bomela and Dr Yoza Jekwa stepped down from the committee by virtue of their respective resignations as non-executive directors. With effect from 1 November 2020, Sango Ntsaluba took over from Bharti Harie as chair of the committee and George Sebulela was appointed as member of the committee. 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:

SS Ntsaluba (chairman)	B Com, B Compt (Hons), H Dip Tax Law, M Com, CA (SA)
J Sebulela	BA Com
B Harie	BA LLB (Natal), LLM (Wits) Com
Dr NY Jekwa	MB Bch (Wits), MBA – resigned on 11 March 2021
MS Bomela	B Com (Hons), CA (SA), MBA – resigned on 31 October 2020

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:

SS Ntsaluba (chairman)	7 / 7
J Sebulela	4 / 4
B Harie	7 / 7
Dr NY Jekwa	5 / 5
MS Bomela	3 / 3

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

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

4. External auditor

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

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

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

The external auditor is invited to and attends all committee meetings. A schedule of findings by the external auditor arising from the statutory audit is tabled and presented at a committee meeting following the audit. The committee endorses action plans for management to mitigate concerns noted. The external auditor has expressed an unmodified opinion on the Group annual financial statements for the year ended 30 June 2021, albeit with an emphasis of matter related to going concern.

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

Audit committee report (continued)

5. External audit: Key audit matter

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

Valuation, presentation and disclosure of discontinued operations and assets held for sale

As outlined below, the implementation of the debt repayments and group recapitalisation transaction has resulted in a number of related discontinued operations and disposals. A complete list of these disposal groups and detail of the circumstances leading to their classification as such, can be found in note 5 and 6 to the group annual financial statements. The significant companies identified as being held for sale as at 30 June 2021 were Remedica and Sun Wave which are being referred to as the Ascendis Health International Holdings (AHIH) group, Respiratory Care Africa (RCA) and the Animal Health segment. These disposal groups are also classified as discontinued operations.

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

6. Debt structure and going concern

Whilst at 30 June 2021 the group remained bound by the Senior Facilities Agreement (SFA) and related finance documentation entered into in June 2020, discussions with lenders towards a debt restructure via a group recapitalisation had progressed substantially at year end.

The group recapitalisation envisages the transfer of certain of the group's assets to the majority lenders in exchange for the extinguishment of certain existing debt obligations and the provision of new debt facilities. The proposed transaction is subject to the approval by shareholders by way of a special resolution in a general meeting to be held on 4 October 2021.

The salient terms of the group recapitalisation are as follows:

- The lenders will receive the net disposal proceeds related to the sale of Animal Health, RCA, Biosciences and Farmalider. A short-term loan facility of R1 010 million with a term of 6 months will be instated for this purpose. These entities have been disclosed as discontinuing as of 30 June 2021. Agreements have been concluded for the disposals of both Animal Health and RCA and these transactions will be proposed to shareholders for approval at the general meeting. The disposal of Animal Health will enable the related deferred vendor liability to be repaid.
- The lenders will take ownership of the 100% shareholding in Remedica and Sun Wave. These entities have been disclosed as discontinuing as of 30 June 2021.
- The outstanding SFA debt and the Remedica deferred vendor liability will be extinguished.
- Debt of €15 million will be reinstated by way of a two-year facility provided by the lenders.

Discontinued operations are disclosed in note 5 and disposal of subsidiaries are disclosed in note 6.

On the successful completion of the group recapitalisation, the lenders will provide a new two-year draw down term loan facility to the group in the Rand equivalent amount of €20 million. This facility can be accessed and utilised by the group as required to fund future operational and working capital requirements.

Audit committee report (continued)

6. Debt structure and going concern (continued)

The committee reviewed a documented assessment by management of the going concern premise of the group and considered inputs from the external auditors. After carefully considering the going concern status of the company and the group, with reference to expected future cash flows, trading performance, balance sheet stresses, compliance with loan covenants to secure lines of credit, disposal processes of companies, the committee was comfortable to recommend the applicability of the going concern basis of accounting to the board.

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

The going concern of the business is premised on the successful implementation of the group recapitalisation. A comprehensive discussion on the group recapitalisation and its implications on going concern is provided in note 1.

7. Restatements and prior period error

The committee notes that comparative information has been restated due to the restatement of discontinued operations. Furthermore, the committee notes with regret that prior period errors with an impact on opening retained earnings of R145 million related to the release of the deferred tax liabilities when non-financial assets were impaired in 2020 and 2019 financial year and R25 million on understatement of trade payables.

Full details on both the restatement and prior period errors can be found under accounting policies. The committee and CFO have considered the remedial action required in the internal financial processes to ensure that the current year annual financial statements are accurate and that there is no recurrence of prior period errors in the future.

8. 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. A new category of services has been 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 an additional control mechanisms that requires approval at board level for these special audit services should they exceed 50% of the annual approved statutory audit fee.

At year end the percentage of non-audit services relative to the financial year audit costs was 22% (2020: 8%) and the special audit costs was 31% (2020: 0%) which was accrued to PwC for their role as reporting accountants on the group recapitalisation and related transactions. Fees paid to PwC amounted to R11.8 million (2020: R25.5 million), which consisted of R6.6 million (2020: R23.8 million) for statutory audit and special audit services and R5.2 million (2020: R1.7 million) for pre-approved non-audit services. 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.

Audit committee report (continued)

9. Internal audit

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

As part of the 2020/21 internal audit plan, internal audit conducted a total of 103 CSA validations for the year, across various business units. The results of the CSA questionnaire validations were a mixture of ratings ranging from “compliant”, “partially compliant” and “non-compliant” per process assessed per business unit.

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

In addition, the committee has considered the results from the internal audit procedures in conjunction with support provided by the CEO and CFO on the adequacy of internal financial controls and concurs that there are areas where controls need to be improved. The committee has satisfied itself that there are appropriate, alternative processes that have been applied to ensure that the group annual financial statements do not include any material misstatements in areas where control weaknesses have been identified. Adequate controls are in place, however, these are not yet sufficiently and consistently applied in some parts of the business. Work to strengthen internal controls continues, but we are comfortable that strides are made and that the CFO is leading and focusing the team in enhancing the adequacy and effectiveness of the control environment.

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

10. Combined Assurance

Effective risk management is fundamental to the successful management of an organisation to ensure the appropriate governing and management of risks in accordance with King IV. The company's combined assurance approach includes assessing, coordinating, and managing risk efforts to increase collaboration between the group's assurance providers, both internal and external. The identified lines of defense are management, internal and external assurance providers with the key objective of an inclusive stakeholder approach. The committee provides oversight on the combined assurance model and outcome of assurance activities.

In March 2021, the audit and risk committee approved the Combined Assurance policy which seeks to optimise the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting Ascendis by:

- Coordinating the efforts and increasing collaboration between management, internal and external assurance providers.
- Providing a framework for an inclusive stakeholder approach.
- Defining a Process Universe/ Internal Control structure.
- Defining the optimal scope of assurance against the relevant risks, impacting value drivers and priority processes.
- Aiding directional effort between the lines of defense to avoid duplication of effort.
- Demonstrating the effective execution of the Board and Executives fiduciary responsibility.
- Ensuring effective reporting of assurance planning.

Audit committee report (continued)

10. Combined Assurance continued

- Providing combined assurance conclusions on the outcomes of planned activities. To further strengthen the operating effectiveness and co-ordination of efforts by the various combined assurance stakeholders the group has formed a Group Combined Assurance Forum ("Forum"). The Forum facilitates a collaborative approach to risk identification, mitigation, and assurance activities between management of the different operational segments and assurance providers.

11. Evaluation of the Chief Financial Officer

The committee has reviewed the expertise, experience and adequacy of the Chief Financial Officer, CJ Kujenga CA (SA), and has satisfied itself with her performance.

12. 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.

13. Group annual financial statements

The committee assists the board with all financial reporting and reviews the group annual financial statements as well as trading statements, preliminary results announcements and interim financial information. The committee has considered Annexure 3 of the JSE 2020 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 2021.

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

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

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

Audit committee report (continued)

14. Conclusion

This was certainly not a year where it was business as usual at Ascendis. The board, the committee and management have worked with great effort in managing and restructuring the business to ensure its sustainability. This involved constant monitoring by the board on disposal activities, the debt recapitalisation and issues of solvency and liquidity. On a personal note, I thank the CEO and the CFO in their tireless efforts over the past few months. The committee is satisfied that it has discharged its duties and responsibilities as required by the Companies Act and that it has functioned in accordance with its terms of reference for the 2021 financial year.

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

On behalf of the committee:



SS Ntsaluba
Chairman of the audit and risk committee
Johannesburg
30 September 2021

Directors' report

The directors are pleased to submit their report on the group annual financial statements of Ascendis Health Limited and the group for the year ended 30 June 2021.

1. Nature of business and overview of group recapitalisation

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

These annual financial statements are prepared at a point in time when Ascendis is concluding a group recapitalisation transaction which envisages the transfer of certain of the group's assets to the majority lenders in exchange for the extinguishment of certain existing debt obligations and the provision of new debt facilities. The proposed transaction is subject to the approval by shareholders by way of a special resolution in a general meeting to be held on 4 October 2021, shortly after the group annual financial statements have been finalised.

The salient terms of the group recapitalisation are as follows:

- The lenders will receive the net disposal proceeds related to the sale of Animal Health, Respiratory Care Africa ("RCA"), Biosciences and Farmalider. A short-term loan facility of R1 010 million with a term of 6 months will be instated for this purpose. These entities have been disclosed as discontinuing as of 30 June 2021. Agreements have been concluded for the disposals of both Animal Health and RCA and these transactions will be proposed to shareholders for approval at a general meeting scheduled for 4 October 2021. The disposal of Animal Health will enable the related deferred vendor liability to be repaid.
- The lenders will take ownership of the 100% shareholding in Remedica and Sun Wave. These entities have been disclosed as discontinuing as of 30 June 2021.
- The outstanding Senior Facilities Agreement ("SFA") debt and the Remedica deferred vendor liability will be extinguished.
- Debt of €15 million (circa R255 million) will be reinstated by way of a two-year facility provided by the lenders.

On the successful completion of the group recapitalisation, the lenders will provide a new two-year draw down term loan facility to the group in the Rand equivalent amount of €20 million (circa R340 million). This facility can be accessed and utilised by the group as required to fund future operational and working capital requirements.

During the current year, the group completed the following disposals:

Scitec: The transaction was concluded on 31 July 2020. The business was disposed for R89.9 million.

Ascendis Direct: The transaction was concluded on 26 August 2020. The business was disposed for R10.3 million.

Dezzo: Certain assets and liabilities were disposed and the transaction was concluded on 28 February 2021. The assets and liabilities were disposed for R14.5 million.

Directors' report

1. Nature of business and overview of group recapitalisation continued

Biosciences: The remaining businesses within the Biosciences segment comprising of Avima and KlubM5 were considered non-core to the group's long term strategy and hence were identified for divestment. The transaction was concluded on 30 June 2021. The business was disposed for R81.1 million.

The disposal of Farmalider was concluded shortly after year end on 7 July 2021. The business was disposed for R84.4 million.

Once the group recapitalisation transaction has been completed the group will transition to a wholly South African group comprising of the Pharma, Medical and Consumer Health divisions. Details of the group recapitalisation and its implications are set out in further detail under the going concern section of the group annual financial statements. The following notes in the financial statement provide information that may be relevant in determining the impact of the group recapitalisation:

- Note 1 - Going concern
- Note 2 - Net debt
- Note 3 - Borrowings and other financial liabilities
- Note 4 - Deferred vendor liabilities
- Note 5 - Discontinued operations
- Note 6 - Disposal of subsidiaries
- 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 impact of the Covid-19 pandemic has been considered and is detailed in point 12 below.

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

Group revenue from continuing operations increased by 1% from R2 203 million (restated) in the prior year to R2 229 million for the year. Despite this, gross profit from continuing operations increased by 10% to R930.7 million, in part due to the positive impact of the disposal of low margin business that was housed within Pharma South Africa and various optimisation programs that were implemented across the group.

Operating expenses increased by 5% to R1 347 million and includes transaction-related once off costs of R274.3 million (June 2020: R226.6 million - restated). Operating expenses include R143.4 million related to Head Office (June 2020: R141.6 million). The group is transitioning from a global business with eight segments to a local group with three segments and whose primary strategic objective is to unlock shareholder value in the shortest period possible. A Head Office restructure commenced in April 2021 with a view to significantly reduce the cost of the Head Office and align it to the new structure of the group.

Directors' report

2. Review of financial activities continued

Despite the improvement in gross margin, the group reported a loss after tax from continuing operations for the year ended 2021 of R1 616 million, a deterioration on the prior year's loss after tax from continuing operations of R1 562 million (restated). The deterioration in the loss from continuing operations was driven predominantly by increased once-off costs related to the various disposal and restructuring transactions as well as increased finance costs.

Once-off costs included in continuing operations amounted to R274.3 million as compared to R226.6 million (restated) in the prior year. Finance costs increased to R1 085 million (30 June 2020: R792 million) largely as a result of the Payment-in-kind ("PIK") margin that is charged by the lenders on the senior debt. The loss per share from continuing operations closed at -343.1 cents (30 June 2020: -316.7 cents (restated)) and normalised headline loss per share closed at -273.1 cents (30 June 2020: -193.7 cents (restated)).

The results of the off shore divisions, as well as those of Animal Health, Biosciences and Respiratory Care Africa (RCA) – a part of the Medical division, are classified as discontinued operations in line with IFRS 5 Non-current held for sale and discontinued operations. Profit from discontinued operations increased by 18% to close the year at R561.2 million (30 June 2020: R474 million) driven by strong performance in RCA, Remedica and Sun Wave. The results of discontinued operations do not reflect any financing costs related to the SFA debt, however, they have been adjusted for the transaction costs related to the group recapitalisation and related disposal processes.

Once off costs included in discontinued operations amounted to R177.5 million as compared to R38 million (restated) in the prior year. These costs include R142 million incurred for the year ended 30 June 2021 relating to the group recapitalisation. As indicated in the circular to the shareholders on 3 September 2021, group recapitalisation costs are estimated to be R258.4 million in total, including costs incurred after 30 June 2021.

Full details of the financial results are set out in these group annual financial statements and accompanying notes for the year ended 30 June 2021.

3. Stated capital

Authorised number of shares	30 June 2021	30 June 2020
Ordinary shares	2 000 000 000	2 000 000 000
Issued and fully paid up number of shares	30 June 2021	30 June 2020
Ordinary shares	489 469 959	489 469 959

Refer to note 26 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
MJ Sardi	Chief executive officer	Executive	
CJ Kujenga	Chief financial officer	Executive	Appointed in December 2020
AB Marshall	Chairman	Independent non-executive	
B Harie	Member	Lead independent non-executive	
Dr KS Pather	Member	Independent non-executive	
J Sebulela	Member	Independent non-executive	
SS Ntsaluba	Member	Independent non-executive	

In terms of the Group's Memorandum of Incorporation B Harie and S Ntsaluba retire by rotation at the 9th AGM scheduled for November 2021 and are eligible for re-election.

5. Directors' interests in shares

As at 30 June 2021, the directors of the group held direct and indirect beneficial interests in 0.2% (2020: 0.2%) 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 Listing 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:

2021 Directors	Direct beneficial shares	Indirect beneficial shares ⁽¹⁾	Indirect non-beneficial shares ⁽²⁾	Total
B Harie	3 548	189 600	12 535	205 683
Dr KS Pather	180 933	20 000	-	200 933
Dr NY Jekwa ⁽³⁾	9 222	-	-	9 222
MJ Sardi	25 597	-	-	25 597
K Futter ⁽³⁾	296 286	-	-	296 286
Total	515 586	209 600	12 535	737 721

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

Directors' report (continued)

5. Directors' interests in shares

⁽¹⁾ Shares not registered in the name of the director but rather through a trust or an investment holding company in which the director holds any or all of the voting rights and/or is a beneficiary of the trust nor is the director a beneficial owner, but it is recorded because the shares are held by a close relation to the director.

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

⁽³⁾ These directors resigned during the current financial year.

Refer to note 33 on the directors' interest in shares as at 30 June 2021 and 30 June 2020 and relevant related party information.

There has been no change in the directors' interest between the financial year end (30 June 2021) and the date of approval of these annual financial statements.

6. Going concern

The group annual financial statements have been prepared on a going concern basis. The directors acknowledge the group's precarious financial position resulting from the unsustainable gearing level and the relevance of the going concern assessment in the context of the ongoing group recapitalisation.

The directors have considered various mitigating factors against the material uncertainty related to going concern. This includes the continued support of the senior lenders, investors, suppliers and customers and the probability of successfully implementing the group recapitalisation, in addition to the progress made in the disposal of identified operating units. They have also considered the financial plans and forecasts, and the strategies that will enable the business to deliver against these plans.

Considering the above mitigating factors, the directors believe that the going concern assumption remains appropriate.

The board is not aware of any new material changes that may adversely impact the group. The board is not aware of any material non-compliance with statutory or regulatory requirements or any pending changes in legislation in any of the major countries in which it operates that may materially affect the group.

The going concern of the business is premised on the successful implementation of the group recapitalisation. Accordingly, and based on the information available to them, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the group's annual financial statements.

Refer to note 1 for detailed disclosure on liquidity management and going concern assumptions. The details of the implications of a non-consensual shareholder vote and failure to implement the group recapitalisation are also set out in this note.

7. Interests in subsidiaries

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

8. Events after the reporting period

Refer to note 36 in the group annual financial statements for details regarding events after reporting date.

Directors' report (continued)

9. Secretary

The company secretary is TM Nkuna (B Com, LLB).

10. Dividends

The board of directors did not declare any interim or final dividend for the year ended 30 June 2021 (2020: Rnil).

11. Special Resolutions

The following special resolutions were approved at the AGM held on 1 December 2020:

- Special Resolution Number 1 – Approval of independent non-executive directors' remuneration.
- Special Resolution Number 2 – Approval of financial assistance in terms of section 45 of the Companies Act.

12. Covid-19

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

Ascendis employees continued to be allowed to work remotely, with only a limited number continuing to work from our premises as essential service workers and only when regulations allowed. The change to a remote working environment was well managed with performance and productivity supported and measured on a continuous basis.

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

Employees who have tested positive for Covid-19 receive support from their management team who monitor their status. For those employees that are required to isolate, a 14-day special leave feature has been added to the group's employee benefits. Based on the results of employee surveys, we extended our support to employees beyond managing the Coronavirus to include dealing with related impacts of stress and anxiety created during these difficult times.

Most of the group's operations are regarded as essential services and are not directly impacted by lockdown regulations. The group's operations were affected differently depending on the sector they serve. The ban on elective surgeries negatively impacted the Medical Devices business during lockdown periods. This was exacerbated by low occupancies in the trauma wards where there is a strong correlation between alcohol consumption and trauma incidents requiring the use of the group's products. Sourcing medical consumables also proved difficult because of high global demand. The Consumer businesses continued to experience stock-out challenges resulting from delays in the supply chain.

The Covid-19 task force established in 2020 continued to operate as a central source of knowledge and reporting for Covid-19 impacts and consisted of representatives from across the group's support functions, including human capital, legal, operations and IT. This task force managed and reported to executive management and the board on the direct costs of Covid-19 precautions in the workplace, the effectiveness of these precautions and the number and outcome of reported positive cases. The task force also managed Covid-19 communication throughout the group.

We trust that with the success of the vaccination programme our business and the lives of our employees, customers and suppliers will gradually return to a semblance of normality in 2022.

Group statement of profit or loss

for the year ended 30 June 2021

	Notes	2021 R'000	Restated ⁽¹⁾ 2020 R'000
Continuing operations			
Revenue	9	2 229 085	2 203 027
Cost of sales		(1 298 406)	(1 356 871)
Gross profit		930 679	846 156
Other income		55 282	19 379
Selling and distribution costs		(167 189)	(149 238)
Administrative expenses		(670 778)	(569 996)
Net impairment loss on financial assets		(22 203)	(14 264)
Other operating expenses		(212 593)	(339 041)
Once off costs ⁽²⁾		(274 293)	(226 579)
Net impairment loss on assets		(89 365)	(462 705)
Operating loss	10	(450 460)	(896 288)
Finance income	11	4 824	4 017
Finance costs	11	(1 085 139)	(792 341)
Loss before taxation		(1 530 775)	(1 684 612)
Tax (expense)/credit	12	(85 350)	122 947
Loss from continuing operations		(1 616 125)	(1 561 665)
Profit from discontinuing operations	5	561 158	546 600
Loss for the period		(1 054 967)	(1 015 065)
Loss attributable to:			
Owners of the parent		(1 090 804)	(965 808)
Continuing operations		(1 651 962)	(1 512 408)
Discontinued operations		561 158	546 600
Non-controlling interest	30	35 837	(49 257)
		(1 054 967)	(1 015 065)
Loss per share from continuing operations			
Basic and diluted loss per share (cents)	8	(343.1)	(316.7)
Total loss per share			
Basic and diluted loss per share (cents)	8	(226.5)	(202.3)

⁽¹⁾ The comparatives have been restated for the change in discontinued operations, correction of the deferred tax prior period error and the trade payables prior period error. Refer to the restatement section as part of the accounting policies for further details.

⁽²⁾ Once off costs have been presented separately because these costs are considered material to the users of the financial statements. The comparative has been restated to ensure consistency of presentation.

Group statement of comprehensive income

for the year ended 30 June 2021

	2021 R'000	Restated ⁽¹⁾ 2020 R'000
Loss for the period	(1 054 967)	(1 015 065)
Other comprehensive income:		
Items that may be reclassified to profit and loss net of tax		
Foreign currency translation reserve	159 765	230 320
Effects of cash flow hedges	-	1 865
Fair value adjustments	-	(314)
Recycled to profit and loss	-	2 179
Income tax relating to items that may be reclassified	-	(522)
Items that will not be reclassified to profit and loss net of tax		
Revaluation of property, plant and equipment	3 640	13 768
Income tax relating to items that will not be reclassified	(1 019)	(1 721)
Other comprehensive income/(loss) for the period net of tax	162 386	243 710
Total comprehensive (loss)/profit for the period	(892 581)	(771 355)
Total comprehensive loss attributable to:		
Owners of the parent	(928 418)	(722 098)
Continuing operations	(1 652 612)	(1 503 615)
Discontinued operations	724 194	781 517
Non-controlling interest	35 837	(49 257)
	(892 581)	(771 355)

Group statement of financial position

at 30 June 2021

			Restated ⁽¹⁾	Restated ⁽¹⁾
	Notes	2021 R'000	2020 R'000	1 July 2019 R'000
ASSETS				
Property, plant and equipment	13	200 505	1 038 999	1 104 503
Right-of-use assets	14	157 675	319 953	-
Intangible assets and goodwill	15	363 666	5 674 700	5 335 329
Other financial assets	16	13 951	15 849	52 315
Deferred tax assets	17	68 356	101 749	127 476
Trade and other receivables	19	-	34 514	-
Non-current assets		804 153	7 185 764	6 619 623
Inventories	18	454 049	1 582 747	1 533 106
Trade and other receivables	19	407 344	2 321 597	1 890 343
Other financial assets	16	14	5 057	6 439
Current tax receivable	29	25 895	49 696	79 197
Derivative financial assets	31	-	961	134
Cash and cash equivalents	20	365 980	393 131	464 110
		1 253 282	4 353 189	3 973 329
Assets classified as held for sale	5	8 577 531	703 929	699 049
Current assets		9 830 813	5 057 118	4 672 378
Total assets		10 634 966	12 242 882	11 292 001
EQUITY				
Stated capital	26	6 017 784	5 975 703	5 975 703
Reserves		465 516	243 226	(137 221)
Accumulated loss		(6 136 763)	(4 925 308)	(3 927 302)
Equity attributable to equity holders of parent		346 537	1 293 621	1 911 180
Non-controlling interest		167 232	127 138	168 693
Total equity		513 769	1 420 759	2 079 873
LIABILITIES				
Borrowings and other financial liabilities	3	8 222	6 285 087	208 226
Deferred tax liabilities	17	76 770	216 473	443 403
Deferred vendor liabilities	4	-	1 103 108	154 475
Lease liabilities	25	165 300	294 186	18 694
Contract liabilities	23	-	8 826	5 642
Employee benefit obligations		-	-	6 647
Non-current liabilities		250 292	7 907 680	837 087
Trade and other payables	21	522 753	1 575 387	1 387 191
Borrowings and other financial liabilities	3	6 784 252	540 123	5 544 782
Deferred vendor liabilities	4	116 808	34 499	896 798
Put-option on equity instrument		-	-	93 622
Provisions	22	45 904	91 087	63 217
Contract liabilities	23	15 241	37 294	8 423
Lease liabilities	25	27 973	55 192	12 747
Derivative financial liabilities	31	2 773	655	2 743
Current tax payable	29	29 146	80 683	123 963
Bank overdraft	20	69	49 148	66 995
		7 544 919	2 464 068	8 200 481
Liabilities classified as held for sale	5	2 325 986	450 375	174 560
Current liabilities		9 870 905	2 914 443	8 375 041
Total liabilities		10 121 197	10 822 123	9 212 128
Total equity and liabilities		10 634 966	12 242 882	11 292 001

⁽¹⁾ The comparatives have been restated for the correction of the deferred tax prior period error and the trade payables prior period error. Refer to the restatement section as part of the accounting policies for further details.

Group statement of changes in equity

for the year ended 30 June 2021

R'000	Stated capital ⁽²⁾	Foreign currency translation reserve	Revaluation reserve	Hedging reserve	Put-option non-controlling interest reserve	Other reserves ⁽¹⁾	Retained income/(Accumulated loss)	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance as at 1 July 2019 (Restated)⁽³⁾	5 975 703	(3 648)	17 462	(2 215)	(114 407)	(34 413)	(3 927 302)	1 911 180	168 693	2 079 873
IFRS 16 adjustment	-	-	-	-	-	-	899	899	-	899
Adjusted opening balance as at 1 July 2019 (Restated)	5 975 703	(3 648)	17 462	(2 215)	(114 407)	(34 413)	(3 926 403)	1 912 079	168 693	2 080 772
Loss for the period (restated) ⁽³⁾	-	-	-	-	-	-	(965 808)	(965 808)	(49 257)	(1 015 065)
Other comprehensive (loss)/income	-	230 320	12 047	1 343	-	-	-	243 710	-	243 710
Total comprehensive (loss)/income for the period (restated)⁽³⁾	-	230 320	12 047	1 343	-	-	(965 808)	(722 098)	(49 257)	(771 355)
Dividends	-	-	-	-	-	-	4 226	4 226	(2 785)	1 441
Foreign currency translation reserve	-	(8 518)	1 886	-	(1 766)	12 796	-	4 398	8 518	12 916
Reclassification of reserves into retained earnings	-	(279)	-	872	21 106	15 287	(36 986)	-	-	-
Lapse of NCI put-option	-	-	-	-	95 067	-	-	95 067	-	95 067
Disposal/deregistration of subsidiary	-	-	-	-	-	(406)	-	(406)	-	(406)
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	2 324	2 324
Statutory reserve: Farmalider	-	-	-	-	-	692	(337)	355	(355)	-
Total contributions by and distributions to owners of the group recognised directly in equity	-	(8 797)	1 886	872	114 407	28 369	(33 097)	103 640	7 702	111 342
Balance as at 30 June 2020	5 975 703	217 875	31 395	-	-	(6 044)	(4 925 308)	1 293 621	127 138	1 420 759
(Loss)/profit for the period	-	-	-	-	-	-	(1 090 804)	(1 090 804)	35 837	(1 054 967)
Other comprehensive income/(loss)	-	159 765	2 621	-	-	-	-	162 386	-	162 386
Total comprehensive income/(loss) for the period	-	159 765	2 621	-	-	-	(1 090 804)	(928 418)	35 837	(892 581)
Release of treasury shares ⁽²⁾	42 081	-	-	-	-	-	(42 081)	-	-	-
Dividends	-	-	-	-	-	-	-	-	(2 791)	(2 791)
Foreign currency translation reserve	-	(4 493)	(1 817)	-	-	(9 072)	-	(15 382)	4 493	(10 889)
Reclassification of reserves into retained earnings	-	16 875	(4 147)	-	-	63 415	(78 854)	(2 711)	2 711	-
Disposal/deregistration of subsidiary	-	-	(278)	-	-	-	-	(278)	-	(278)
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	(451)	(451)
Statutory reserve: Farmalider ⁽¹⁾	-	-	-	-	-	(579)	284	(295)	295	-
Total contributions by and distributions to owners of the group recognised directly in equity	42 081	12 382	(6 242)	-	-	53 764	(120 651)	(18 666)	4 257	(14 409)
Balance as at 30 June 2021	6 017 784	390 022	27 774	-	-	47 720	(6 136 763)	346 537	167 232	513 769

⁽¹⁾ Refer to note 27 for more details on other reserves.

⁽²⁾ Treasury shares to the value of R42.1 million have been released to equity in the current year. Refer to note 26 for more information.

⁽³⁾ These amounts have been restated to correct the prior period errors, refer to the Restatement note for further details.

Group cash flow statement

for the year ended 30 June 2021

	Notes	2021 R'000	Restated ⁽¹⁾ 2020 R'000
Cash flows from operating activities			
Cash (utilised by)/generated from operations	28	8 384	87 615
Cash generated from/(utilised by) operations - discontinued operations		810 672	571 635
Interest income received	11	4 824	4 018
Interest paid		(166 922)	(424 299)
Income taxes paid	29	(10 483)	(14 127)
Net cash inflow from operating activities		646 475	224 842
Cash flows from investing activities			
Purchases of property, plant and equipment		(39 201)	(43 282)
Proceeds on the sale of property, plant and equipment		390	7 153
Purchases of intangibles assets		(515)	(2 271)
Proceeds on the sale of intangible assets		23 286	-
Other financial assets advanced		-	(16 151)
Proceeds from disposal of other financial assets		2 639	-
Net cash outflow from investing activities - discontinued operations		(254 649)	109 434
Proceeds from disposal of subsidiaries - net of cash ⁽³⁾		170 205	423 996
Cash outflow from investing activities - discontinued operations ⁽²⁾		(424 854)	(314 562)
Net cash (outflow)/inflow from investing activities		(268 050)	54 883
Cash flows from financing activities			
Proceeds from borrowings raised		150 649	636 592
Repayment of borrowings		(86 798)	(785 952)
Repayments on deferred vendor liabilities		(12 000)	-
Lease liabilities repaid	25	(36 719)	(24 756)
Net cash outflow from financing activities - discontinued operations		(282 008)	(190 568)
Net cash outflow from financing activities		(266 876)	(364 684)
Net increase/(decrease) in cash and cash equivalents		111 548	(84 959)
Restricted cash balance at the beginning of the period		75 057	45 515
Other cash and cash equivalents balance at the beginning of the period		268 926	351 600
Cash and cash equivalents at beginning of period		343 983	397 115
Effect of exchange difference on cash balances		24 111	37 308
Cash and cash equivalents at the beginning of the period - assets held for sale	5	61 944	56 463
Cash and cash equivalents at end of period - assets held for sale	5	(175 675)	(61 944)
Restricted cash balance at the end of the period		60 442	75 057
Cash and cash equivalents balance at the end of the period		305 469	268 926
Cash and cash equivalents at end of period	20	365 911	343 983

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

⁽²⁾ The deferred vendor payment have been included as part of discontinued operations cash flows.

⁽³⁾ The proceeds on disposal from disposal of subsidiaries have been included as part of the discontinued operations cash flows because the disposed subsidiaries were classified as discontinued operations in terms of the requirements of IFRS 5. The comparative has been restated to ensure consistency of presentation.

Accounting policies

for the year ended 30 June 2021

Corporate information

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

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

Basis of preparation

The group annual financial statements as at 30 June 2021 comprise of the company and its subsidiaries (together referred to as the group). The group annual financial statements have been audited in terms of the Companies Act. The audited group annual financial statements for the year ended 30 June 2021 have been prepared under the supervision of chief financial officer, Cheryl-Jane Kujenga CA (SA).

The group annual financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements, and the requirements of the Companies Act applicable to annual financial statements. The Listings Requirements require annual reports to be prepared in accordance with the conceptual framework and the measurement and recognition requirements of 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 following new or revised standards became effective in the current period but had no significant impact on the financial position or performance of the group:

- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7
- Definition of Material – Amendments to IAS 1 and IAS 8
- The Conceptual Framework for Financial Reporting
- Covid-19 – Related Rent Concessions – Amendment to IFRS 16
- Improvement to IFRS 2018 – 2020 cycle

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.

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

Accounting policies

for the year ended 30 June 2021

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. The directors confirm that there has been full compliance with the JSE's practice note 4/2019 as it relates to the PMs presented. Detailed disclosure of the performance measures is included on the Ascendis Health website: <https://ascendishealth.com/wp-content/uploads/2020/09/Ascendis-Health-Performance-Measures-30-June-2020.pdf>.

Restatements for the year ended 30 June 2020

Restatement of comparative results – classification of planned divestments to discontinued operations and held for sale

The groups entities listed below have been identified for divestment during the current year and hence they are classified as discontinued operations in terms of the requirements of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. As a result, the June 2020 statement of profit or loss and statement of cash flow have been restated to reflect the IFRS 5 classification. Refer to note 5 for more details.

- Animal Health
- Respiratory Care Africa
- Farmalider group
- AHIH group (incorporating Remedica and Sun Wave)

Prior period errors

The following prior period errors were identified in the current year and were corrected in terms of the requirements of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

1. Release of deferred tax liability on impairment of intangible assets

In December 2020, it was identified that there was no release of the deferred tax liability on impairment of intangible assets that were recognised in terms of IFRS 3: Business Combinations during the compilation of the 2020 and 2019 annual financial statements. This error resulted in a material overstatement of the deferred tax expense recognised for the 2020 and 2019 financial years and a corresponding overstatement of the deferred tax liability. The error has been corrected retrospectively in terms of the requirements of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

2. Understatement of trade payable in Surgical Innovations

During the year, it was identified that trade payables were understated due to material unreconciled differences between trade payable transactions recorded in the accounting system and suppliers' statements. The material unreconciled differences arose from invoices not being recorded, interest related to creditors not being captured and the incorrect translation of invoices denominated in foreign currency.

Accounting policies (continued)

for the year ended 30 June 2021

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

2020	Restatements Discontinued operations					Prior period errors		Restated
	Reported	Animal Health	RCA	Farmalider	AHH group	Deferred tax on impairments	Trade payables	
Statement of profit or loss and other comprehensive income	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	6 963 376	(488 973)	(595 143)	(618 743)	(3 057 490)	-	-	2 203 027
Cost of sales	(3 751 732)	244 931	377 453	394 719	1 380 828	-	(3 070)	(1 356 871)
Gross profit	3 211 644	(244 042)	(217 690)	(224 024)	(1 676 662)	-	(3 070)	846 156
Expenses	(3 315 323)	149 939	154 022	377 628	900 045	-	(8 756)	(1 742 445)
Net finance cost	(855 463)	2 449	715	6 227	60 701	-	(2 952)	(788 323)
Income tax	56 570	16 733	9 858	(15 643)	27 231	24 060	4 138	122 947
Loss from continuing operations	(902 572)	(74 921)	(53 095)	144 188	(688 685)	24 060	(10 640)	(1 561 665)
(Loss)/profit from discontinued operations	(169 977)	74 921	53 095	(144 188)	688 685	44 064	-	546 600
Loss for the year	(1 072 549)	-	-	-	-	68 124	(10 640)	(1 015 065)
Continuing operations - Basic loss per share (cents)	(174.0)					-	-	(316.7)
Total operations - Basic headline loss per share (cents)	(209.6)					-	-	(202.3)
Loss attributable to:								
Owners of the parent						45 652	(10 640)	(1 037 537)
Continuing operations						24 060	(10 640)	(1 584 137)
Discontinued operations						21 592	-	546 600
Non-controlling interest						22 472	-	22 472

Accounting policies (continued)

for the year ended 30 June 2021

Prior period errors				
2020	Reported	Deferred tax	Accounts	Restated
Statement of financial position	R'000	on impairments	payable	R'000
		R'000	R'000	
Deferred tax asset	94 849	-	6 900	101 749
Accumulated loss	(5 031 089)	123 523	(17 742)	(4 925 308)
Non-controlling interest	104 666	22 472	-	127 138
Deferred tax liabilities	362 468	(145 995)		216 473
Trade and other payables	1 550 745	-	24 642	1 575 387

Prior period errors				
2019	Reported	Deferred tax	Accounts	Restated
Statement of financial position	R'000	on impairments	payable	R'000
		R'000	R'000	
Deferred tax asset	124 714	-	2 762	127 476
Accumulated loss	(3 998 071)	77 871	(7 102)	(3 927 302)
Deferred tax liabilities	521 274	(77 871)	-	443 403
Trade and other payables	1 377 327	-	9 864	1 387 191

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.

Accounting policies (continued)

for the year ended 30 June 2021

Principal accounting policies (continued)

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

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

Foreign currency

Each foreign entity in the group determines its own functional currency. The group owns the following entities which operate in primary economic environments that are different to the group:

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

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

Translations and balances

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

Group companies

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

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

Accounting policies (continued)

for the year ended 30 June 2021

Principal accounting policies (continued)

The exchange rates relevant to the group are disclosed in note 31.

Employee benefit expense

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

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

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

Accounting policies (continued)

for the year ended 30 June 2021

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.

- **Interest Rate Benchmark Reform – Phase 2**
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments Recognition and Disclosures*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 4 *Insurance Contracts*. This is effective for accounting periods commencing on or after 1 January 2021
- **Covid-19-Related Rent Concessions beyond 30 June 2021**
Amendments to IFRS 16: *Leases*. This is effective for accounting periods commencing on or after 1 April 2021
- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
Amendments to IFRS 10: *Consolidated Financial Statements* and IAS 28: *Investments in Associates and Joint Ventures*. Implementation date is pending
- **Business Combinations**
Reference to the Conceptual Framework - Amendments to IFRS 3 *Business Combinations*. This is effective for accounting periods commencing on or after 1 January 2022
- **Property, Plant and Equipment: Proceeds before Intended Use**
Amendments to IAS 16: *Property, plant and equipment*. This is effective for accounting periods commencing on or after 1 January 2022.
- **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.
- **Fees in the '10 per cent' test for derecognition of financial liabilities**
Annual improvements to IFRS Standards 2018 - IFRS 9. This is effective for accounting periods commencing on or after 1 January 2022.
- **Onerous Contracts – Costs of Fulfilling a Contract:**
Amendments to IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. This is effective for accounting periods commencing on or after 1 January 2022.
- **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 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.

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 2021

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 2021.

On 30 June 2021 most of the group's debt was classified as current in line with the timing of the proposed group recapitalisation as outlined below. The group recapitalisation results in the transfer of the Remedica and Sun Wave segments to the majority lenders in exchange for certain existing debt obligations being extinguished, together with the disposal of Animal Health, Respiratory Care Africa (RCA), Biosciences and Farmalider. The results of these businesses have been reclassified in line with the requirements of IFRS 5: Non-current assets held for sale and discontinued operations. The impact of this reclassification together with the classification of the group debt as current is that the group's current liabilities exceed the current assets by R40.1 million. In addition, as outlined below, if the group recapitalisation is not implemented, the group will be placed into business rescue. The group incurred a net loss before taxation from continuing operations of R1 530.7 million for the year ended 30 June 2021. These conditions give rise to a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In making the going concern assessment, the directors have considered the progress and advanced engagement with the lenders on the group recapitalisation, the implications of the successful completion of this transaction as well as the consequences of a failed group recapitalisation. These considerations are expanded on in the sections below. The directors have also considered the group's post-recapitalisation structure and the strategic options that are available for the remaining entities. The directors have concluded that the group can continue to operate as a going concern subject to the successful implementation of the group recapitalisation.

Financial performance: continuing operations

The full year results reflect an increase in gross profit from continuing operations of 10% to R930.7 million despite depressed revenues, in part due to the positive impact of the disposal of the low margin Dezzo business that was housed within Pharma South Africa and continued optimisation programmes across the businesses.

Operating expenses increased by 5% to R1 347 million and include transaction-related once off costs of R274.3 million (June 2020: R226.6 million). The restructure of the Head Office to realign it to the reduced size of the business commenced in April 2021. Operating expenses include R143.4 million related to Head Office (June 2020: R141.6 million).

Debt and group recapitalisation

The group entered into an amended senior facilities agreement with the senior lenders on 5 June 2020 (SFA) to restructure the group's existing debt facilities and provide for the advance of new debt facilities. This was required to fund both ongoing working capital requirements as well as provide the additional support as Covid-19 saw a massive increase in demand of several products provided by the group. This additional funding enabled Ascendis to play a meaningful role in South Africa's efforts to combat the effects and spread of the Covid-19 pandemic.

This arrangement allowed the group to extend the repayment obligations of the senior debt to 31 December 2021, with no capital payments required in advance of that date, other than repayments triggered because of asset disposals and the repayment of debt using excess cash beyond the group's needs. In addition, it enabled management to focus on driving operational performance, while a cash sweeping arrangement implemented at group level allowed for improved oversight of capital allocation.

The cost of funding the senior facilities is EURIBOR plus 12.5% to 16.5% (4% to 5% related to margin plus 5% to 10% payment in kind (PIK) interest charge plus 2.5% PIK strike effective from 31 January 2021) on the Euro-denominated facilities and JIBAR plus 12.5% to 16.7% (3.75% to 5% related to margin plus 5% to 10% PIK interest charge plus 2.5% PIK strike effective from 31 January 2021) for the South African Rand-denominated facilities.

Notes to the group annual financial statements

for the year ended 30 June 2021

1. Going concern (continued)

The quantum of senior debt; the high cost of advisory fees and high cost of funding under the SFA together with the compounding effect of the PIK interest meant that the total level of debt, including deferred vendor liabilities, continues to increase, contributing to the material uncertainty related to going concern.

As communicated to shareholders on 2 February 2021, the board of directors were advised that Blantyre Capital Limited (Blantyre) and L1 Health GP SARL (L1 Health), as part of the lender consortium, had increased their aggregated exposure to the SFA debt to more than 75%. This level of exposure enables Blantyre and L1 Health to provide or withhold all waiver, deferrals and consents requiring majority lender approval under the SFA.

Blantyre and L1 Health also communicated their view that the divestment of core assets as originally envisaged under the SFA is not in the best long-term interest of the company and its stakeholders, and as a result, the disposal processes for Remedica and Sun Wave were terminated. Dezzo, Animal Health and Biosciences were confirmed as non-core assets and these disposal processes continued. The management buy-out offer on RCA was also approved.

In March 2021 the group entered into a forbearance agreement with Blantyre and L1 Health to address the short-term liquidity requirements and certain other specified potential events of default under the SFA (forbearance agreement). In terms of the forbearance agreement, Blantyre and L1 Health agreed not to take enforcement action in respect of the non-payment of interest and certain other events of default under the SFA until 30 April 2021 (forbearance period). This was further extended to 11 May 2021.

On 12 May 2021, the group entered into a restructuring support agreement (RSA) regarding the recapitalisation and restructuring of the group's debt. The related implementation deed for the restructure was signed on 29 July 2021. The RSA and the implementation deed collectively set out the terms and conditions of the group recapitalisation and the steps required to implement it.

The RSA envisages the extension of the forbearance period in respect of those specified events of default only until the implementation of the group recapitalisation, or earlier if certain events occur under the RSA, including shareholders not approving the relevant resolutions at the general meeting scheduled for 4 October 2021. At 30 June 2021 the group remained bound by the SFA and related finance documentation.

The group recapitalisation results in the transfer of certain of the group's assets to the majority lenders in exchange for certain existing debt obligations being extinguished and the provision of new debt facilities. The proposed transaction is subject to the approval by shareholders by way of a special resolution in general meeting.

The salient terms of the group recapitalisation are as follows:

- The lenders will receive the net disposal proceeds related to the sale of Animal Health, RCA, Biosciences and Farmalider. A short-term loan facility of R1 010 million with a term of 6 months will be instated for this purpose. These entities have been disclosed as discontinuing as of 30 June 2021. The disposals of Biosciences and Farmalider have subsequently been concluded and the net disposal proceeds have been applied to reduce the debt. Agreements have been concluded for the disposals of both Animal Health and RCA and these transactions will be proposed to shareholders for approval at the general meeting. The disposal of Animal Health will enable the related deferred vendor liability to be repaid.
- The lenders will take ownership of the 100% shareholding in Remedica and Sun Wave. These entities have been disclosed as discontinuing as of 30 June 2021.
- The outstanding SFA debt and the Remedica deferred vendor liability will be extinguished.
- Debt of €15 million will be reinstated by way of a two-year facility provided by the lenders.

On the successful completion of the group recapitalisation, the lenders will provide a new two-year draw down term loan facility to the group in the Rand equivalent amount of €20 million. This facility can be accessed and utilised by the group as required to fund future operational and working capital requirements.

Notes to the group annual financial statements

for the year ended 30 June 2021

1. Going concern (continued)

Liquidity

Management prepares annual budgets for each business unit and head office. A revised forecast is performed for each business unit and head office quarterly. These revised forecasts take into consideration expected operational performance and working capital requirements.

Group treasury manages liquidity and works closely with each business unit on ensuring accurate forecasting of cash inflows and cash requirements. It regularly updates its robust liquidity model which includes cash flow forecasts covering a period of 18 months from the date of these group annual financial statements. Cash flow forecasts are prepared weekly by the business units and reviewed by group treasury and are provided to the lenders every fortnight.

On 30 June 2021, the group's consolidated cash and cash equivalents totalled R366.0 million (June 2020: R393.1 million).

The group has performed detailed analysis of its liquidity requirements to 30 June 2022. In performing this analysis, the following areas relating to the budgeted performance of the continuing operations were incorporated:

- Working capital requirements.
- Capital expenditure required to support the 2022 financial year budgets.
- Estimated costs related to the head office restructure that is currently in progress.

The liquidity analysis considered the phasing of utilisation of the new draw down facility of €20 million. The board acknowledges that post the group recapitalisation the group finds itself at a critical strategic juncture and needs to determine and implement the most optimal path for shareholder value creation.

The option of remaining a listed group, whilst still being reviewed, is challenged by the significantly reduced scale of New Ascendis Health, the costs associated with remaining listed and limited capital availability in relation to various growth opportunities in the remaining businesses.

Noting the above, the Board has engaged with the various interested parties in the remaining assets and is forming a perspective on the viability and value proposition of a sale of the remaining businesses in the group over the short-to-medium term, including the option of taking the remaining group private.

Therefore, various strategic scenarios have been modelled as part of the liquidity analysis. These scenarios reflect that subject to a successful vote at the general meeting, the group has sufficient liquidity for the period to 30 June 2022.

Further, various sensitivity analyses have been performed on the liquidity forecasts. These reflect that there may be a risk of breaching the new covenants should a combination of significant erosion of access to credit terms with suppliers occur simultaneously with any shortfall on the budgeted financial performance for the 2022 financial year. The board and management have put in place governance and monitoring mechanisms to guard against this worst-case scenario from materialising. These include regular, proactive review of liquidity forecasts against actual financial performance and the implementation of remediation plans for variances within set parameters.

Covenants

In terms of the SFA, management is required to provide the lender consortium with a quarterly covenant certificate. The certificate requires the group to report a single financial covenant ratio, being total net debt/adjusted EBITDA (adjusted EBITDA is defined as the last 12 months' EBITDA (including 12 months EBITDA for acquisitions made in the last 12 months and excluding EBITDA for disposals in the last 12 months)). The ratio assesses the group's ability to service its leveraged capital structure and interest cover and is reset following each disposal.

The lender consortium has set quarterly targets for this ratio. On 30 June 2021, the target ratio was less than or equal to 6.6. The group achieved a ratio of 4.6, demonstrating an acceptable margin below the target ratio.

Post the group recapitalisation, the only covenant will be a requirement to maintain a monthly liquidity headroom of R50 million. The liquidity analysis described above indicates that the group should meet this covenant requirement.

Consequence of failure to implement the group recapitalisation

The group recapitalisation is conditional upon, inter alia, the relevant resolutions being approved via special resolution by shareholders at the general meeting of 4 October 2021. The board is conscious that the year-end results will be released before the outcome of the shareholder vote is known. Therefore, in concluding on the group's going concern assertion, the board has considered the implications of the relevant shareholder resolution not being passed to enable implementation of the group recapitalisation.

Notes to the group annual financial statements

for the year ended 30 June 2021

1. Going concern (continued)

If the special resolution approving the group recapitalisation is not passed:

- The group recapitalisation will not proceed.
- The implementation deed will be automatically terminated.
- The forbearance period will end, entitling the forbearance creditors to enforce their rights under the SFA and related finance and security documentation, including the enforcement of the security granted in favour of the senior lenders over the assets of the group.
- The group will not receive any additional short-term liquidity.
- The group will be required under the terms of the RSA to take any steps required by the lenders in connection with the enforcement of their security interests and will probably commence business rescue proceedings in respect of the South African holding company, Ascendis Health SA Holdings (Pty) Ltd.

The enforcement action will result in ownership of the European businesses transferring to the lenders, a continuation of the disposal processes of Animal Health and RCA, as well as the commencement of an accelerated disposal process for the remaining South African businesses. In a Business Rescue process, shareholders rank behind creditors. Furthermore, in an accelerated Business Rescue-driven asset disposal process, it is likely that lower proceeds will be realised given the distressed circumstances in which they take place and additional tax liabilities, and costs will be incurred which will rank ahead of the claims of Shareholders. It is likely that the outstanding senior debt and other secured obligations of the group will exceed such proceeds. If the group recapitalisation transaction fails, therefore, the business will not be a going concern and the most likely result is that there will be no return to Shareholders.

Through ongoing communication and engagement with shareholders, the board, management, and its transaction advisers are canvassing support to encourage shareholders to vote in favour of the group recapitalisation. Shareholders were previously advised that in a business rescue-driven asset disposal process it is likely that the outstanding senior debt will exceed disposal proceeds, and that minimal to zero value is likely to accrue to Ascendis Health shares.

Conclusion

The directors acknowledge the group's precarious financial position brought about by the high level of debt and compounding effect of the cost of debt, and the relevance of the going concern assessment in the context of the ongoing group recapitalisation.

The directors have considered various mitigating factors against the material uncertainty related to going concern. This includes the continued support of the senior lenders, investors, suppliers and customers and the probability of successfully implementing the group recapitalisation, in addition to the progress made in the disposal of identified business units. They have also considered the financial plans and forecasts, and the strategies that will enable the business to deliver against these plans.

Considering the above mitigating factors, the directors believe that the going concern assumption remains appropriate. The going concern of the business is premised on the successful implementation of the group recapitalisation. Accordingly, and based on the information available to them, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the group's annual financial statements.

Notes to the group annual financial statements

for the year ended 30 June 2021

2. Net debt^{PM}

Net debt is calculated as the sum of borrowing and other financial liabilities, deferred vendor liabilities, lease liabilities, put option on equity instruments and employee benefit obligations less cash and cash equivalents.

	2021 R'000	2020 R'000
Cash and cash equivalents	365 980	393 131
Debt repayable within one year including bank overdrafts	(6 929 101)	(678 961)
Debt repayable after one year	(173 523)	(7 682 382)
Net debt^{PM}	(6 736 644)	(7 968 212)
Cash and cash equivalents	365 980	393 131
Gross debt - fixed interest rate	(385 789)	(1 536 132)
Gross debt - variable interest rate	(6 716 835)	(6 825 211)
Net debt^{PM}	(6 736 644)	(7 968 212)

Notes to the group annual financial statements

for the year ended 30 June 2021

2. Net Debt^{PM} (continued)

Net debt^{PM} reconciliation

R'000	Cash and cash equivalents	Leases	Borrowings	Deferred vendor liabilities	Put option on equity instrument	Employee benefit obligations	Total
Net debt^{PM} as at 30 June 2019	397 115	(31 441)	(5 753 008)	(1 051 273)	(93 622)	(6 647)	(6 538 876)
Cashflows - principal / capital portion	(90 440)	55 793	125 782	172 232	-	-	263 367
Continuing operations		24 756	149 360	-	-	-	
Discontinued operations		31 037	(23 578)	172 232	-	-	
Foreign exchange adjustments	37 308	(37 393)	(799 544)	(197 944)	(1 445)	-	(999 018)
Other adjustments / movements ⁽¹⁾	-	(336 337)	(398 440)	(60 622)	95 067	6 647	(693 685)
Net debt^{PM} as at 30 June 2020	343 983	(349 378)	(6 825 210)	(1 137 607)	-	-	(7 968 212)
Cashflows - principal / capital portion	173 493	71 760	(6 782)	202 079	-	-	440 550
Continuing operations		36 719	(63 671)	12 000	-	-	
Discontinued operations		35 041	56 889	190 079	-	-	
Foreign exchange adjustments	24 111	(16 738)	655 284	108 179	-	-	770 836
Transfer to held for sale	(175 675)	105 352	328 195	724 177	-	-	982 049
Other adjustments / movements ⁽¹⁾	-	(4 269)	(943 961)	(13 636)	-	-	(961 866)
Net debt^{PM} as at 30 June 2021	365 911	(193 273)	(6 792 474)	(116 808)	-	-	(6 736 644)

⁽¹⁾ This mainly relates to interest that has been capitalised to the liability account.

Notes to the group annual financial statements

for the year ended 30 June 2021

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 32.

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

	2021 R'000	2020 R'000
SFA debt		
Euro denominated term loans	3 474 268	3 402 133
Euro denominated RCF	935 445	960 140
ZAR denominated term loans	1 828 564	1 534 832
ZAR denominated RCF	478 558	413 536
Total senior debt	6 716 835	6 310 641
Other Borrowings		
Cyprus loan facility ⁽¹⁾	-	160 449
Loans with financial institutions - Spain ⁽¹⁾	-	272 155
Other facilities	75 639	81 965
Total other debt	75 639	514 569
Total borrowings and other financial liabilities	6 792 474	6 825 210
⁽¹⁾ Transferred to liabilities held for sale in the current year.		
The split between current and non-current borrowings and other financial liabilities		
Non-current liabilities	8 222	6 285 087
Current liabilities	6 784 252	540 123
	6 792 474	6 825 210

Notes to the group annual financial statements

for the year ended 30 June 2021

3. Borrowings and other financial liabilities (continued)

The current structure consists of a syndicated facility denominated in Euro and Rand term facilities, revolving credit facilities and other foreign bi-lateral facilities as detailed below.

a) Senior facilities arrangement (SFA) borrowings

On 5 June 2020 the group entered into a revised SFA with its lender consortium. Under the revised SFA the group was able to restructure its debt facilities and provide for the advance of new debt. The revisions to the SFA enabled the group to extend the repayment obligations under the original SFA to 31 December 2021.

Group recapitalisation

On 25 January 2021, Ascendis Health received notification that Blantyre and L1 Health had increased their aggregate exposure under the SFA to more than 75% of the aggregate exposure of all lenders. This level of exposure enables them to provide all waivers, deferrals and consents requiring majority lender approval under the SFA.

The group has finalised debt restructure and recapitalisation discussions with Blantyre and L1 and on 27 August 2021, announced that it had signed a primary restructuring implementation deed setting out the group recapitalisation implementation steps and the related terms and conditions. Pursuant to these discussions, the group entered into a forbearance agreement in March 2021 with Blantyre and L1 Health in terms of which Blantyre and L1 Health agreed not to take enforcement action in respect of certain potential events of default and the non-payment of interest. Post year end, the forbearance arrangements contemplated in the forbearance agreement were then set out in a restructuring support agreement and implementation deed, which outlines the terms of the group recapitalisation. Successful implementation of the group recapitalisation will enable the repayment of the SFA debt.

The interest forbearance agreement resulted in a modification of the SFA debt in terms of the requirements of IFRS 9. However, no adjustment was processed because the modification was immaterial.

More information relating to the SFA and implications of the group recapitalisation can be found under the going concern note 1 on page 33.

SFA Euro denominated facilities

The group has the following Euro term facilities amounting to €204.6 million (R3 474 million):

- Facility A, with an outstanding balance of €192.3 million (R3 266 million) which consist of €165.9 million capital and €26.4 million of capitalised interest.
- Facility D, with an outstanding balance of €5.6 million (R95 million) which consist of €5.1 million capital and €0.5 million of capitalised interest.
- Facility E1, with an outstanding balance of €6.7 million (R113 million) which consist of €6.3 million capital and €0.4 million of capitalised interest.

In addition to the facilities above, the group has a revolving credit facility with an outstanding balance of €55.1 million (R935 million) which consist of €47.8 million capital and €7.3 million capitalised interest. The revolving credit facility was fully drawn down as at 30 June 2021.

Notes to the group annual financial statements

for the year ended 30 June 2021

3. Borrowings and other financial liabilities (continued)

Interest on Facility A and the revolving credit facility is charged at Euribor plus 16.5% (4% margin and 12.5% PIK) and interest on Facility D and E1 is charged at Euribor plus 12.5% (5% margin + 7.5% PIK). The cash interest is repayable quarterly, while the PIK component is capitalised quarterly and payable on 31 December 2021 (amended after year end for the terms set out in the group recapitalisation). The PIK margin was increased by 2.5% effective from 31 January 2021 as a result of a PIK strike, due to delays in meeting certain SFA mandated milestones. No cash interest was paid for the quarters ended March 2021 and June 2021 as a result of the forbearance and restructuring support agreements entered into with the lenders.

SFA Rand denominated facilities

The group has the following ZAR term facilities amounting to R1 829 million:

- Facility B1, with an outstanding balance of R592.4 million which consist of R504 million capital and R88.4 million of capitalised interest.
- Facility B2, with an outstanding balance of R1 023.8 million which consist of R869.3 million capital and R154.5 million of capitalised interest.
- Facility E2, with an outstanding balance of R212.4 million which consist of R193.2 million capital and R19.2 million of capitalised interest.

In addition to the facilities above, the group has a revolving credit facility with an outstanding balance of R478.6 million which consist of R409.0 million capital and R69.6 million capitalised interest. The facilities are repayable by a single bullet payment on 31 December 2021 (amended after year end for the terms set out in the group recapitalisation).

Interest on Facility B1, Facility B2 and the revolving credit facility is charged at JIBAR plus 16.25% to 16.7% (3.75% - 4.2% margin and 12.5% PIK) per annum and is payable quarterly. Interest in Facility E2 is charged at JIBAR plus 12.5% (5% margin and 7.5% PIK). The cash interest is repayable quarterly, while the PIK component is capitalised quarterly and payable on 31 December 2021 (amended after year end for the terms set out in the group recapitalisation). The PIK margin was increased by 2.5% effective from 31 January 2021 as a result of a PIK strike, due to delays in meeting certain SFA mandated milestones. No cash interest was paid in for the quarters ended March 2021 and June 2021 as a result of the forbearance and restructuring support agreements entered into with the lenders.

Additional indirect credit facilities exist that include letters of credit and performance guarantees. At 30 June 2021 exposures with regards to letter of credit issued on behalf of the SA Pharma business and Medical Devices businesses were R20 million.

SFA covenants and divestment milestones

The SFA is subject to a quarterly adjusted leverage covenant test (the ratio of total net debt to normalised EBITDA). For the financial year ended 30 June 2021 the lenders required that the group maintain an adjusted leverage ratio below 6.6 (30 June 2020: 5.9). Ascendis Health achieved a ratio of 4.6 and therefore is compliant with the requirement set by the lenders.

Notes to the group annual financial statements

for the year ended 30 June 2021

3. Borrowings and other financial liabilities (continued)

The SFA provides for certain key milestones in respect of the disposal of specified business units (disposal milestones). The consequences of missing a disposal milestone depend on the nature of the disposal milestone. For example, if certain disposal milestones are not met (e.g., the appointment of an adviser) this is an event of default, while other disposal milestones may cumulatively lead to an increase in the PIK interest margin applicable to all facilities of 2.5%.

SFA security

The group entities as listed below are specifically identified guarantors under the SFA

- Ascendis Health International Holdings Limited
- Ascendis Consumer Brands Proprietary Limited*
- Ascendis Financial Services Proprietary Limited*
- Ascendis Health Limited*
- Ascendis Pharma Proprietary Limited*
- Ascendis Skin and Body Proprietary Limited*
- Ascendis Supply Chain Proprietary Limited*
- Pharmachem Pharmaceuticals Proprietary Ltd*
- Ortho-Xact Proprietary Limited*
- Ascendis Vet Proprietary Limited*
- Ascendis Wellness S.R.L.
- Sun Wave Pharma International Limited
- Chempure Proprietary Limited*
- Kyron Laboratories Proprietary Limited*
- Remedica Holdings Limited
- Remedica Limited
- Respiratory Care Africa Proprietary Limited*
- Surgical Innovations Proprietary Limited*
- The Scientific Group Proprietary Limited*
- Ascendis Financial Services International S.à r.l.
- Ascendis Health SA Holdings Proprietary Limited*
- Ascendis Health Europe Holdings
- Ascendis Financial Services Europe Limited

* These entities will remain as guarantors after the group recapitalisation

Notes to the group annual financial statements

for the year ended 30 June 2021

3. Borrowings and other financial liabilities (continued)

The group entities as listed below are specifically identified guarantors under the SFA continued

Each of the above guarantors jointly and severally guarantee punctual performance of the obligations under the SFA and indemnify the lenders for any costs, loss, or liability they incur as a result of an obligor not paying any amount that was payable in accordance with the SFA when falling due.

The shares in each guarantor (other than Ascendis Health Limited) are granted as security to the lenders. In addition, each guarantor has granted security over certain of its assets. Furthermore, the shares in certain other key group companies have been granted as security to the lenders.

Facilities post group recapitalisation

Successful implementation of the group recapitalisation will result in the senior debt being repaid and replaced with the following:

- Reinstated debt of €15 million (circa R255 million). Interest on this facility will be charged at JIBRA plus 9% PIK.
- Access to new draw down facility of up to the ZAR equivalent of €20 million (circa 340 million). Interest on this facility will be charged at JIBRA + cash margin of 3.3% and 3% PIK.

Both facilities have a 2 year term.

Further, a short-term loan of R1 010 million will be instated to facilitate transfer of the disposal proceeds from RCA and Animal Health to the lenders. The term of this loan is 6 months. The group is comfortable that the disposal proceeds from RCA, Animal Health and excess cash generated in those businesses will be sufficient to ensure that this loan is fully repaid shortly after the Group Recapitalisation is implemented.

b) Other facilities

In addition to the syndicated facilities outlined above, the group also has the following material borrowings as at 30 June 2021:

The TRS (total return swap) liability with ABSA Bank Limited consists of three tranches, the nominal amount of which was R81.7 million. Partial settlement took place in the period to 31 December 2020 reducing the outstanding balance to R59.0 million (30 June 2020: R81.7 million). Three tranches remain outstanding and are payable on 5 July annually with the next payment due on 5 July 2021 and ultimately maturing on 5 July 2023. These tranches carry a fixed interest rate between 9.33% and 9.91% per annum. Interest is paid bi-annually.

Also included in other South African borrowings is a distribution right obligation whereby the Medical Devices business is to pay a total of €1.8 million (circa R30.6 million) in six, half-yearly installments of €0.3 million (circa 5.1 million) each, to retain the exclusivity rights of sale of a particular supplier of medical equipment and associated training and educational support. The agreement was entered into in the current financial period ending 30 June 2021. The balance included in other South African borrowings was R21.0 million as at 30 June 2021.

Notes to the group annual financial statements

for the year ended 30 June 2021

3. Borrowings and other financial liabilities (continued)

	2021 R'000	2020 R'000
Reconciliation of borrowings		
Capital portion of loans outstanding at beginning of period	6 825 210	5 753 008
IFRS 9 - Extinguishment		
Syndicated - Rand term loans	-	(1 334 174)
Syndicated - Euro term loans	-	(3 058 271)
Euro revolving credit facility	-	(880 653)
IFRS 9 - Recognition		
Syndicated - Rand term loans	-	1 334 174
Syndicated - Euro term loans	-	3 058 271
EURO revolving credit facility	-	880 653
New loans raised net of debt capitalisation fees		
Syndicated facility - Rand term loans	86 071	131 039
Syndicated facility - Euro term loans	64 736	113 372
Rand revolving credit facility	-	392 000
Cyprus facility loan	85 213	24 132
Loans with financial institutions - Spain	94 662	173 946
Other facilities	28 300	181
Capitalised fees amortised	9 347	50 222
Capitalised fees	-	243 154
Capital repaid		
Syndicated facility - South Africa term loans	(31 037)	(30 676)
Syndicated facility - Euro term loans	(27 901)	(57 749)
Euro revolving credit facility	-	(15 399)
Cyprus facility loan	(160 926)	(64 258)
Loans with financial institutions - Spain	(75 839)	(98 623)
Short-term loans with financial institutions	-	(332 929)
Bridging term loan	-	(360 000)
Other facilities	(28 198)	(818)
Transferred to liabilities held for sale	(328 195)	-
Foreign currency translation	(655 283)	799 544
Capital portion of loans outstanding at period end	5 886 160	6 720 146
Interest accrued	906 314	105 064
Total loans outstanding at period end	6 792 474	6 825 210

Notes to the group annual financial statements

for the year ended 30 June 2021

4. Deferred vendor liabilities

The group structures its acquisitions to include contingent and deferred considerations which are included in the cost of the business combination at the fair value on the date of the acquisitions.

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

Deferred considerations are initially measured at fair value and subsequently measured at amortised cost.

All deferred vendor liabilities raised relate to business combinations.

	2021 R'000	2020 R'000
Remedica Group	724 177	801 126
Sun Wave Pharma Group	-	194 522
Klub M5 Proprietary Limited	-	34 499
Kyron Group	116 808	107 460
Transfer to held for sale	(724 177)	-
	116 808	1 137 607
Current	116 808	34 499
Non-current	-	1 103 108
	116 808	1 137 607
Deferred consideration	116 808	908 004
Contingent consideration	-	229 603
	116 808	1 137 607

Kyron deferred vendor liability

The group acquired the Kyron group in March 2018. The purchase consideration consisted of a deferred and a contingent portion. Under the terms of the Kyron Laboratories purchase agreement entered by the previous owners of Kyron (seller) and Ascendis, the group pledged 25% of Kyron shares to the seller as security for the fulfilment of the Ascendis' obligations to pay the deferred and contingent consideration. In terms of the agreement, the year two payment was due in September 2019 and the third dividend was due in March 2020. However, these payments were not made and in terms of the agreement, the previous owners of Kyron have the right to 25% of the shares in Kyron. The previous owners have indicated that they are not seeking to exercise this right.

The group signed a release and settlement agreement with the previous owners of Kyron whereby the 25% of Kyron shares that are currently pledged as security for the deferred vendor will be released and Ascendis will need to settle the deferred vendor liability in full.

The outstanding balance of the deferred vendor liability as at 30 June 2021 is R116.8 million which comprises of R99.3 million capital and R18.5 million late payment penalty interest. The Animal Health disposal transaction is expected to close by 31 October 2021. Upon disposal of Animal Health entities (which include Kyron entities), Ascendis is to settle the outstanding deferred vendor balance in full.

Notes to the group annual financial statements

for the year ended 30 June 2021

4. Deferred vendor liabilities (continued)

Remedica deferred vendor liability

The group acquired the Remedica group in August 2016. The purchase consideration consisted of a deferred portion. The initial deferred consideration of €90 million which was payable in August 2019 was amended in 2017 following negotiations with the previous owners. The renegotiated terms stipulated the total deferred consideration to be €86 million, of which €46 million was paid in August 2017 and the remaining €40 million was to be settled in August 2019. This payment is still outstanding to date.

The Remedica group will be disposed as part of the planned group recapitalisation and the outstanding deferred vendor balance will be settled as part of the disposal transaction. The outstanding balance as at 30 June 2021 is €42.6 million (R724.2 million) which comprises of €40 million (R697.4 million) capital and €2.6 million (R26.8 million) late payment penalty interest.

Sun Wave and Klub M5 deferred vendor liability

The outstanding balances from prior year on Sun Wave deferred vendor liabilities were settled in full during the 2021 financial year.

For KlubM5, a settlement agreement was reached in January 2021 with the full and final settlement being R12 million paid in 3 monthly equal installments of R4 million each from February 2021. The liability was remeasured to R12 million and R22.5 million was recognised in the statement of profit or loss as other income.

5. 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 are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Notes to the group annual financial statements

for the year ended 30 June 2021

5. Discontinued operations (continued)

5.1 Discontinued operations

The group has applied significant judgement on the successful implementation of the group recapitalisation, refer to the Going concern note 1 for further details. In addition, significant judgement has been applied in determining the effective date of classifying the discontinued operations in terms of the requirements of IFRS 5, factors taken into account included the date when the restructuring plan was concluded. The group recapitalisation transaction and related disposal processes has enabled the business to clearly identify segments that should be classified as discontinued operations for the year ended 30 June 2021.

The group has taken into account signed sales agreements and the group recapitalisation implementation agreement in determining the appropriate fair value less costs to sell for the discontinued operations and related measurements.

These are detailed below:

Animal Health

The Animal Health business was identified as non-core during the group's strategy and was identified for divestment. The divestment was sanctioned as part of the group recapitalisation. A binding sale agreement was signed subsequent to year end in July 2021. The disposal is subject to shareholder approval and the transaction is expected to close by 30 November 2021.

Respiratory Care Africa (RCA)

The group received an unsolicited management buy-out offer for the disposal of RCA. The group accepted the offer and a binding sale agreement was signed in May 2021. The disposal is subject to shareholder approval and the transaction is expected to close by 31 October 2021.

Farmalider

The Farmalider business was identified as non-core during the group's strategy and was identified for divestment. The sale agreement was signed in June 2021 and the transaction was concluded on 8 July 2021.

Ascendis Health International Holdings (AHIH) Group

As part of the group recapitalisation as disclosed in the going concern note as included in the Basis of Preparation section in Accounting Policies, the entities within the AHIH group are reclassified as discontinued operations and held for sale as at 30 June 2021. These entities include the Remedica group and the Sun Wave group.

5.2 Completed disposals

The following disposals have been completed during the year ended 30 June 2021:

Notes to the group annual financial statements

for the year ended 30 June 2021

5. Discontinued operations (continued)

Ascendis Direct

The disposal of Ascendis Direct was successfully concluded on 31 August 2020 and its results are classified and incorporated in net profit or loss from discontinued operations for the current year, to this disposal date.

Scitec

The disposal of Scitec was successfully completed on 31 July 2020 and its results are classified and incorporated in net profit or loss from discontinued operations for the current period up to this disposal date.

Dezzo

The disposal of certain assets and liabilities relating to Dezzo was concluded on 28 February 2021. This business formed part of the Pharma segment and due to its size, it was not classified as discontinued operations. Therefore its results up to the date of disposal are included in continuing operations.

Biosciences

Ascendis announced fulfillment of the condition's precedent to the disposal of Biosciences as at 30 June 2021, the effective disposal date for the Biosciences business. Therefore, Biosciences's results were incorporated in net profit or loss from discontinued operations for the full financial year.

Notes to the group annual financial statements

for the year ended 30 June 2021

5. Discontinued operations (continued) 2021

	Biosciences	Ascendis Direct	Scitec	Animal Health	Respiratory Care Africa ⁽²⁾	Farmalider	AHIH Group ⁽³⁾	Total
Revenue	324 578	5 003	131 841	571 825	986 078	633 604	3 330 701	5 983 631
Expenses	(186 455)	(5 602)	(114 590)	(427 712)	(777 604)	(565 985)	(2 763 264)	(4 841 212)
Profit/(loss) on sale of disposal group	34 131	(3 704)	(306 465)	-	-	-	-	(276 038)
Profit/(loss) before impairments	172 254	(4 303)	(289 214)	144 113	208 474	67 619	567 437	866 381
Impairments of assets	-	-	-	-	-	(32 695)	(23 256)	(55 951)
IFRS 5 remeasurement	(95 562)	-	-	-	-	-	-	(95 562)
Profit/(loss) before tax	76 692	(4 303)	(289 214)	144 113	208 474	34 924	544 181	714 868
Tax	(12 344)	5	(16 961)	(49 157)	(11 180)	6 587	(70 660)	(153 710)
Profit/(loss) after income tax expense of discontinued operations	64 348	(4 297)	(306 175)	94 956	197 294	41 511	473 521	561 158
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	64 348	(4 297)	(306 175)	94 956	197 294	41 511	473 521	561 158

Restated ⁽¹⁾ 2020

	Biosciences	Ascendis Direct	Scitec	Animal Health	Respiratory Care Africa ⁽²⁾	Farmalider	AHIH Group ⁽³⁾	Total
Revenue	336 258	53 683	1 188 607	488 973	595 143	618 743	3 057 490	6 338 897
Expenses	(301 757)	(77 898)	(1 163 124)	(397 319)	(532 191)	(600 444)	(2 341 573)	(5 414 306)
Profit on sale of portion of disposal group	107 036	-	-	-	-	-	-	107 036
Profit/(loss) before impairments	141 537	(24 215)	25 483	91 654	62 952	18 299	715 917	1 031 627
Impairments of assets	(31 438)	(12 160)	(267 899)	-	-	(178 130)	-	(489 627)
Profit/(loss) before tax	110 099	(36 375)	(242 416)	91 654	62 952	(159 831)	715 917	542 000
Tax	1 676	(1 508)	(1 453)	(16 733)	(9 858)	59 707	(27 231)	4 600
Profit/(loss) after income tax expense of discontinued operation	111 775	(37 883)	(243 869)	74 921	53 094	(100 124)	688 686	546 600
Total comprehensive income/(loss)	111 775	(37 883)	(243 869)	74 921	53 094	(100 124)	688 686	546 600

⁽¹⁾ 30 June 2020 has been restated to reflect restating Animal Health, Respiratory Care Africa, Farmalider and AHIH Group which is classified as held for sale and a discontinued operation in terms of the requirement of IFRS 5.

⁽²⁾ RCA is included as part of Medical segment in the segment reporting and it has been disclosed as a discontinued operation because it is a major separate line of business.

⁽³⁾ AHIH disposal group includes the following segments as per the segments note: Remedica and Sun Wave.

Notes to the group annual financial statements

for the year ended 30 June 2021

5. 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:

R'000	2021 R'000					2020 R'000				
	Animal Health	Respiratory Care Africa	Farmalider	AHIH Group	Total	Bio-sciences	Ascendis Direct	Scitec	Dezzo Trading 392 (Pty) Ltd	Total
Property, plant and equipment	6 408	17 086	16 428	846 205	886 127	6 651	-	-	-	6 651
Intangible assets & goodwill	525 075	101 475	132 672	3 902 656	4 661 878	44 167	-	-	-	44 167
Right-of-use asset	21 521	97	37 253	51 385	110 256	24 303	-	-	-	24 303
Deferred tax asset	10 461	-	65 440	330	76 231	12 896	8 528	8 637	5 652	35 713
Inventories	130 827	112 104	132 857	590 152	965 941	93 555	-	170 779	51 163	315 497
Current income tax receivable	160	6 678	23 556	5 874	36 268	5 161	839	4 699	-	10 699
Trade and other receivables	77 354	138 800	144 511	1 246 340	1 607 006	60 632	1 726	142 338	-	204 696
Cash and cash equivalents	7 817	4 601	29 498	163 877	205 793	5 240	7 722	48 982	-	61 944
Other financial assets	35	1	11 779	16 217	28 031	259	-	-	-	259
Assets held for sale	779 659	380 842	593 993	6 823 037	8 577 531	252 864	18 815	375 435	56 815	703 929
Borrowings	-	-	(253 822)	(74 531)	(328 353)	(197)	-	-	-	(197)
Deferred vendor liabilities	-	-	-	(724 177)	(724 177)	-	-	-	-	-
Lease liabilities	(19 635)	-	(34 279)	(51 438)	(105 352)	(23 821)	(2 384)	(85 001)	-	(111 206)
Deferred tax liability	(83 507)	(1 190)	-	(177 462)	(262 159)	(17 164)	-	(71 438)	(1 341)	(89 943)
Trade and other payables	(67 480)	(82 400)	(126 330)	(515 485)	(791 695)	(65 093)	(4 547)	(137 374)	(27 907)	(234 921)
Provisions	(10 708)	(6 150)	-	(15 217)	(32 074)	(5 582)	(1 270)	(4 350)	(566)	(11 768)
Current Income tax payable	(14 401)	-	(9 667)	(27 991)	(52 059)	(15)	(114)	(2 211)	-	(2 340)
Bank overdraft	-	-	-	(30 118)	(30 118)	-	-	-	-	-
Liabilities held for sale	(195 731)	(89 740)	(424 098)	(1 616 418)	(2 325 986)	(111 872)	(8 315)	(300 374)	(29 814)	(450 375)
Net assets	583 928	291 102	169 895	5 206 619	6 251 544	140 992	10 500	75 061	27 001	253 554

Notes to the group annual financial statements

for the year ended 30 June 2021

6. Disposal of subsidiaries

During the current year, the group sold its investment and interests in the following disposal groups:

- Scitec – 31 July 2020;
- Ascendis Health Direct – 31 August 2020; and
- Biosciences – 30 June 2021

In addition to the above disposals, certain assets and liabilities were disposed on 28 February 2021 from Dezzo, which formed part of the Pharma segment.

The carrying amount of assets and liabilities that were reclassified to non-current assets held for sale and subsequently sold were:

	Biosciences	Dezzo	2021 R'000 Ascendis Direct	Scitec	Total
Property, plant and equipment	-	73	18	-	91
Intangible assets and goodwill	3 164	1	-	-	3 165
Right-of-use assets	409	-	-	-	409
Deferred tax assets	10 849	1 341	8 581	1 402	22 174
Current income tax receivable	11 300	-	839	-	12 139
Inventories	63 244	66 863	-	183 518	313 625
Trade and other receivables	54 457	-	1 845	180 158	236 460
Other financial assets	6 972	-	-	-	6 972
Cash and cash equivalents	4 523	-	2 579	18 488	25 590
Total assets	154 919	68 279	13 862	383 566	620 625
Lease liabilities	(22 976)	-	(2 176)	(87 457)	(112 609)
Deferred tax liability	(23 578)	-	(47)	(70 457)	(94 082)
Trade and other payables	(52 090)	(33 289)	(3 329)	(128 866)	(217 574)
Provisions	(9 296)	(182)	(1 433)	(4 658)	(15 569)
Current income tax payable	-	-	(114)	(6 196)	(6 310)
Total liabilities	(107 940)	(33 471)	(7 099)	(297 634)	(446 144)
Carrying amount of net (liabilities)/assets	46 979	34 807	6 763	85 932	174 482
Foreign exchange differences reclassified	-	-	7 196	310 456	317 652
Total disposal consideration - cash	81 110	14 506	10 255	89 923	195 794
Gain/(loss) on disposal	34 131	(20 301)	(3 704)	(306 465)	(296 340)
Net cash					
Cash received	81 110	14 506	10 255	89 923	195 794
Less: Cash and cash equivalents balance of disposed subsidiaries	(4 523)	-	(2 579)	(18 488)	(25 590)
Net cash received on sale	76 587	14 506	7 676	71 435	170 204

Notes to the group annual financial statements

for the year ended 30 June 2021

6. Disposal of subsidiaries (continued)

The following details relates to the disposal of Biosciences, tranche 1 which was completed on 31 July 2019.

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

Notes to the group annual financial statements

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7. Group segmental analysis

The group has five core health care areas, namely Consumer Health, Pharma, Medical, Animal Health and Biosciences. The core health care areas are split into nine reportable segments that are used by the group executive committee as Chief Operating Decision Maker (CODM) to make key operating decisions, allocate resources and assess performance. The CODM also reviews the discontinued operations until they have been disposed to ensure their performance is still assessed and resources allocated accordingly (Refer to note 5 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 three reportable segments:
 - **Consumer Health Africa segment**: operating predominantly in the South African market.
 - **Scitec segment**: operating predominantly in the European market, the segment was disposed on 31 July 2020.
 - **Sun Wave segment**: operating predominantly in Romania, the segment has been disclosed as a discontinued operation.
- **Pharma**, incorporating Ascendis' pharmaceutical products. This division includes three reportable segments:
 - **Pharma Africa segment**: operating predominantly in the South African market.
 - **Remedica segment**: operating predominantly in the European market, the segment has been disclosed as a discontinued operation.
 - **Farmalider segment**: operating predominantly in the Spanish market, the segment has been disclosed as a discontinued operation.
- **Medical**, 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 has been disclosed as a discontinued operation because it represents a separate major line of business.
- **Animal Health**, incorporating manufacturing and distribution of animal health products. The segment is operating predominantly in the South African market and has been disclosed as a discontinued operation.
- **Biosciences**, incorporating manufacturing and distribution of crop protection, public pesticides and equipment. The segment is operating predominantly in the South African market and was disposed on 30 June 2021.

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

There was no material inter-segment revenue.

Due to changes in the classification of discontinued operations (refer to note 5 for more details), information relating to the comparative periods has been restated.

Notes to the group annual financial statements

for the year ended 30 June 2021

7. Group segmental analysis (continued)

	2021 R'000	Restated ⁽¹⁾ 2020 R'000
Revenue split by segment		
Consumer Health	1 867 692	2 753 486
Africa	673 220	687 559
Scitec	131 841	1 188 607
Sun Wave	1 062 631	877 320
Pharma	3 479 373	3 495 112
Africa	577 699	700 183
Remedica	2 268 070	2 176 186
Farmalider	633 604	618 743
Medical	1 969 248	1 464 111
Animal Health	571 825	488 973
Biosciences	324 578	336 258
Other	-	3 984
Less: Discontinued operations	(5 983 631)	(6 338 897)
Total revenue	2 229 085	2 203 027
Revenue by geographical location		
South Africa	4 116 570	3 677 084
Cyprus	2 268 070	2 176 186
Spain	633 604	618 743
Hungary	131 841	1 188 607
Romania	1 062 631	877 320
Other	-	3 984
Less: Discontinued operations	(5 983 631)	(6 338 897)
Total revenue	2 229 085	2 203 027
Revenue by customer destination		
Africa	4 549 442	3 963 470
South Africa	3 898 818	3 317 596
Rest of Africa	650 625	645 874
Europe	2 839 949	3 534 597
Romania	1 075 267	905 060
Spain	430 792	589 790
Germany	109 652	301 590
Hungary	25 013	213 543
France	189 626	197 195
Cyprus	309 820	239 570
Other	699 780	1 087 849
Asia Pacific	547 265	678 130
Asia	505 569	633 654
Australia	22 901	26 841
New Zealand	18 795	17 634
United Kingdom	47 156	87 442
South America	90 578	258 751
North America	61 632	19 534
Other	76 694	-
Less: Discontinued operations	(5 983 632)	(6 338 897)
Total revenue	2 229 085	2 203 028

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

7. Group segmental analysis (continued)

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

22% of the group's revenue is generated through the wholesale and retail market (2020: 21%). In this market, there is no customer concentration risk and 9% (2020: 5%) of the group's revenue is generated from government institutions (local and international).

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

Normalised EBITDA ^{PM} split by segment	2021		Restated ⁽¹⁾ 2020	
	R'000	%	R'000	%
Consumer Health	408 710	22%	342 421	12%
Africa	81 964	12%	35 550	5%
Scitec	18 799	14%	61 163	5%
Sun Wave	307 947	29%	245 708	28%
Pharma	694 697	18%	750 215	21%
Africa	(6 273)	-1%	(45 488)	-6%
Remedica	611 293	27%	731 378	34%
Farmalider	89 677	14%	64 325	10%
Medical	273 512	14%	128 232	9%
Animal Health	147 484	26%	124 681	25%
Biosciences	47 264	15%	18 116	5%
Head office	(125 004)		(141 592)	-
Other	(1 057)		197	5%
Less: Discontinued operations	(1 431 422)	24%	(1 291 964)	20%
Total normalised EBITDA^{PM}	14 184	1%	(69 694)	16%

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

7. Group segmental analysis (continued)

	2021 R'000	Restated ⁽¹⁾ 2020 R'000
Reconciliation of normalised EBITDA^{PM} to consolidated results		
Consolidated loss before taxation from continuing operations	(1 530 774)	(1 684 610)
Finance income	(4 824)	(4 018)
Finance expense	1 085 139	792 341
Total impairment, amortisation and depreciation	190 350	600 014
Total once off costs	274 293	226 579
Total normalised EBITDA^{PM}	14 184	(69 694)

⁽¹⁾ The comparatives have been restated for the changes in discontinued operations and correction of prior period errors.

	2021 R'000		Restated ⁽¹⁾ 2020 R'000	
Net finance cost split by segment	Finance income	Finance expense	Finance income	Finance expense
Consumer Health	724	(24 590)	48	(7 600)
Africa	193	(3 278)	48	(5 076)
Scitec	-	-	-	(2 524)
Sun Wave	531	(21 312)	-	-
Pharma	868	(39 272)	116	(312)
Africa	242	(649)	116	(524)
Remedica	394	(32 206)	-	211
Farmalider	232	(6 417)	-	-
Medical	983	(23 216)	458	(19 791)
Animal Health	94	(4 255)	-	-
Biosciences	41	(3 344)	96	(3 702)
Head Office	3 800	(1 058 516)	5 950	(765 501)
Other	-	(717)	-	(5)
Less: Discontinued operations	(1 686)	68 772	(2 651)	4 570
Total finance income/(cost)	4 824	(1 085 138)	4 017	(792 341)

⁽¹⁾ The comparatives have been restated for the change in discontinued operations and correction of prior period errors.

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

7. Group segmental analysis (continued)

	2021	Restated ⁽¹⁾
	R'000	2020
	R'000	R'000
Tax expense split by segment		
Consumer Health	58 060	25 777
Africa	(3 319)	978
Scitec	16 961	1 453
Sun Wave	44 418	23 346
Pharma	(12 422)	(10 019)
Africa	(15 003)	1 742
Remedica	9 168	3 882
Farmalider	(6 587)	(15 643)
Medical	66 189	(100 366)
Animal Health	49 157	16 733
Biosciences	9 730	(1 676)
Other	-	-
Head office	68 346	14 266
Less: Discontinued operations	(153 710)	(67 662)
Total consolidated tax expense/(credit)	85 350	(122 947)

⁽¹⁾ The comparatives have been restated for the change in discontinued operations and correction of prior period errors.

Statement of financial position measures applied

	2021		Restated ⁽¹⁾	
	R'000		2020	R'000
Assets and liabilities split by segment	Assets	Liabilities	Assets	Liabilities
Consumer Health	1 753 156	(319 476)	2 337 547	(5 180 375)
Africa	487 095	(145 617)	550 903	(190 044)
Scitec - held for sale	-	-	375 435	(4 625 527)
Sun Wave	1 266 061	(173 859)	1 411 209	(364 804)
Pharma	6 393 132	(2 744 363)	7 142 567	(2 435 839)
Africa	223 260	(93 641)	346 638	(235 952)
Remedica	5 575 879	(2 226 623)	6 187 940	(1 743 620)
Farmalider	593 993	(424 099)	607 989	(456 267)
Medical	1 336 852	(507 830)	1 533 248	(567 339)
Animal Health	779 659	(195 731)	741 670	(178 566)
Biosciences - held for sale	429	(726)	252 968	(161 819)
Head office	371 382	(6 353 072)	232 220	(2 298 146)
Other	356	-	2 661	(37)
Total consolidated assets and (liabilities)	10 634 966	(10 121 198)	12 242 881	(10 822 121)

⁽¹⁾ The comparatives have been restated for the correction of the deferred tax prior period error and the trade payables prior period error. Refer to the restatement section as part of the accounting policies for further details.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

7. Group segmental analysis (continued)

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

	2021	2020
	R'000	R'000
Fixed assets per geographic location		
South Africa	223 998	208 444
Cyprus	843 891	816 353
Hungary	-	-
Romania	2 314	1 599
Spain	16 424	19 254
Assets held for sale	(886 122)	(6 651)
Fixed assets per geographic location	200 505	1 038 999

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 the SAICA Circular 1/2021.

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.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

8. Earnings per share (continued)

	2021 R'000			Restated ⁽¹⁾ 2020 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
(a) Basic loss per share						
Loss attributable to owners of the parent	(1 651 962)	561 158	(1 090 804)	(1 512 406)	546 598	(965 808)
Loss	(1 651 962)	561 158	(1 090 804)	(1 512 406)	546 598	(965 808)
Weighted average number of ordinary shares in issue			481 493 990			477 514 891
Basic loss per share (cents)	(343.1)	116.5	(226.5)	(316.7)	114.5	(202.3)
(b) Headline loss per share						
Loss attributable to owners of the parent	(1 651 962)	561 158	(1 090 804)	(1 512 406)	546 598	(965 808)
<i>Adjusted for:</i>						
Net (profit)/loss on the sale of property, plant and equipment	1 385	3 550	4 935	(771)	–	(771)
Tax effect	(388)	59	(329)	202	–	202
(Profit)/loss on disposal of subsidiary	–	296 338	296 338	(408)	(107 036)	(107 444)
Tax effect	–	–	–	91	4 796	4 887
Goodwill, intangible asset and tangible asset impairment	89 365	151 513	240 878	462 704	487 753	950 457
Tax effect	(957)	–	(957)	(59 213)	(22 550)	(81 763)
Impairment of investment	(6 665)	–	(6 665)	14 324	–	14 324
Non-controlling interest portion allocation	–	–	–	–	257	257
Headline (loss)/earnings	(1 569 222)	1 012 618	(556 604)	(1 095 477)	909 818	(185 659)
Weighted average number of shares in issue			481 493 990			477 514 891
Headline (loss)/earnings per share (cents)	(325.9)	210.3	(115.6)	(229.4)	190.5	(38.9)

⁽¹⁾ The comparatives have been restated for the change in discontinued operations, correction of the deferred tax prior period error and the trade payables prior period error. Refer to the restatement section as part of the accounting policies for further details.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

8. Earnings per share (continued)

(c) Normalised headline earnings per share ^{PM}

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

Normalised headline earnings ^{PM} is calculated by excluding specific non-trading items from the group's earnings. Gains and losses excluded for normalised headline earnings purposes include restructuring costs to streamline, rationalise and structure the group. Costs incurred to restructure the debt and equity capital structure of the group that cannot be capitalised are excluded. It also includes settlement of product-related litigation and the costs incurred to acquire and integrate the business combinations into the group as well as any costs incurred to dispose of businesses. The country specific corporate tax rate and relevant tax legislation is applied to each individual normalised earnings adjustment. Refer to note 7 for the detailed impact on normalised EBITDA ^{PM}.

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

8. Earnings per share (continued)

	2021 R'000			Restated ⁽¹⁾ 2020 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Reconciliation of normalised headline earnings						
Headline (loss)/earnings	(1 569 222)	1 012 618	(556 604)	(1 095 477)	909 818	(185 659)
<i>Adjusted for</i>						
Acquisition of businesses related costs	—	—	—	661	23 564	24 225
Disposal of businesses related costs	185 987	177 476	363 463	68 509	2 584	71 093
Debt/capital restructuring costs	60 836	—	60 836	142 852	12 429	155 281
Restructuring and retrenchment costs	34 134	—	34 134	233	9 749	9 982
Product litigation costs	—	—	—	—	—	—
Tax effect thereof	(26 592)	—	(26 592)	(41 674)	(2 267)	(43 941)
Normalised headline (loss)/earnings	(1 314 857)	1 190 094	(124 763)	(924 896)	955 877	30 981
Weighted average number of shares in issue			481 493 990			477 514 891
Normalised headline (loss)/earnings per share (cents)	(273.1)	247.2	(25.9)	(193.7)	200.2	6.5

⁽¹⁾ The comparatives have been restated for the change in discontinued operations, correction of the deferred tax prior period error and the trade payables prior period error. Refer to the restatement section as part of the accounting policies for further details.

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

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

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

1.1 Sale of goods – wholesale

The group manufactures and sells a range of medicines in the wholesale market. This policy applies to both in-country 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 either the wholesaler has accepted the products in accordance with the contract. Delivery for export sale is not a separate performance obligation as it is highly dependent on the sale of the products to the wholesaler hence it is not separately identifiable.

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

As per the group's standard contract terms, customers have the right of return within 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.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

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 pharmaceutical 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 2021.

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

1.4 Sale of drug master files

The group generates revenue from selling the right to sell a product manufactured by the group in a specific region.

Revenue is recognised at a point in time.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

9. Revenue (continued)

Significant judgement and estimates in revenue recognition

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

Financing component

The group 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.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

9. Revenue (continued)

The breakdown of revenue from all activities is as follows:

	2021	Restated ⁽¹⁾
Revenue	R'000	2020 R'000
Revenue from contracts with customers⁽²⁾		
Sale of goods - wholesale (in-country)	1 994 142	1 677 348
Sale of goods - wholesale (export)	31 769	-
Sale of equipment	82 164	86 130
Rendering of service	10 298	18 951
	2 118 373	1 782 429
Timing of revenue: revenue from contracts with customers		
Products transferred at a point in time	2 108 075	1 763 478
Services transferred over time	10 298	18 951
	2 118 373	1 782 429
Rental income	110 713	420 598
Total revenue	2 229 085	2 203 027

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

⁽²⁾ Disaggregation of revenue from contract with customers is based on the type of revenue which is different from the disaggregation included in the segment reporting because the disaggregation in the segment note is for the total revenue including rental income.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

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.

	2021	Restated ⁽¹⁾ 2020
	R'000	R'000
Other income		
Rental income ⁽⁵⁾	13 061	3 419
Legal settlement	6 816	2 226
Profit on the disposal of property, plant and equipment	62	5 360
Other income	5 442	2 920
Commission received	-	5 454
Deferred vendor liability remeasurement ⁽²⁾	22 499	-
Profit on exchange differences	7 402	-
Expenses by nature	R'000	R'000
Administration costs	168 462	139 116
Advertising and promotions	110 794	121 056
Cost of goods sold	1 298 406	1 356 871
Depreciation and amortisation	96 954	139 052
Distribution costs	65 141	61 185
Employee benefit expenses	493 202	452 699
Fair value adjustment losses	5 827	3 315
Net impairment loss on financial assets	22 203	14 264
Foreign exchange loss	-	12 250
Other expenses	37 705	36 314
Provision for loan write-off	-	19 662
Travelling costs	5 285	13 125
Loss on disposal of assets	1 448	4 483
Research and development	1 289	463
Selling costs	64 452	55 565
	2 371 169	2 429 421
Cost of sales	1 298 406	1 356 871
Selling and distribution costs	167 189	149 238
Administrative expenses	670 778	596 002
Net impairment loss on financial assets	22 203	14 264
Other operating expenses	212 593	313 046
Operating expenses	1 072 763	1 072 550
Once off costs⁽³⁾	274 293	226 758
Net impairment loss on assets⁽⁴⁾	89 365	462 705
	363 658	689 463

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

⁽²⁾ This relates to the remeasurement of KlubM5 deferred vendor liability, refer to note 4 for

⁽³⁾ Once off costs relate to the debt restructuring and disposal processes. A further R177.5m in once off costs is included under discontinued operations, and relates predominantly to the group recapitalisation.

⁽⁴⁾ Refer to the intangible asset note 15 for further details regarding impairment of non-financial assets.

⁽⁵⁾ Rental income relates to the other items that are being leased other than medical equipment as per the Revenue Note 9.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

11. Finance income and costs

Finance costs

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

Finance income

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

	Financial class	2021 R'000	Restated ⁽¹⁾ 2020 R'000
Finance cost			
Interest on bank and term debt facilities	Amortised cost	1 035 325	703 164
Debt capitalisation fees	Amortised cost	7 305	42 631
Lease liabilities	Amortised cost	26 589	26 313
Other finance costs	Amortised cost	6 572	9 033
Interest on deferred vendor liabilities	FV through P&L	9 348	8 159
Interest rate swap expense	FV through P&L	-	3 040
Finance costs		1 085 139	792 341
Finance income			
Bank interest	Amortised cost	3 519	4 255
Other finance income	Amortised cost	1 305	(238)
Finance income		4 824	4 017
Net finance costs		1 080 315	788 323

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to note 5 for more details.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

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 where 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.

	2021 Audited R'000	Restated ⁽¹⁾ 2020 Audited R'000
Major components of the tax expense		
South African Taxation		
Current Tax		
Current tax on profits for the period	10 141	1 611
Recognised in current tax for prior periods	(8 498)	15 697
	1 643	17 308
Deferred Tax		
Originating and reversing temporary differences	(103 925)	(150 176)
(Increase)/utilisation of tax loss	-	-
Measurement period adjustment	187 633	-
	83 708	(150 176)
South African income tax expense	85 350	(132 868)
Foreign Taxation		
Current Tax		
Current tax on profits for the period	-	(3 034)
	-	(3 034)
Deferred Tax		
Originating and reversing temporary differences	-	12 955
	-	12 955
Foreign income tax expense	-	9 921
Total income tax expense/(credit)	85 350	(122 947)

⁽¹⁾ The comparatives have been restated due to the change in discontinued operations. Refer to note 5 for more details.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

12. Income tax expense (continued)

Income tax (credit)/expense attributable to:	R'000	R'000
Profit from continuing operations	85 350	(122 947)
Profit from discontinued operations	153 709	(4 601)
	239 059	(127 548)

	2021	Restated ⁽¹⁾ 2020
Tax at the South Africa corporate tax rate	28.00%	28.00%
Amortisation	-1.70%	-12.56%
Impairment	0.05%	6.36%
Prior year over/under provisions ⁽²⁾	-8.32%	28.22%
Utilisation of tax losses/Limitation of deferred tax assets on tax losses	-11.69%	-27.01%
Tax Incentives	-0.19%	-0.27%
Capital gain	0.00%	1.00%
Other disallowable charges	-3.97%	-2.52%
Investment acquisition/disposal costs	-2.56%	-13.77%
Other exempt income	-4.24%	0.00%
S23N Limitation of interest deduction	-1.03%	-0.15%
Average effective tax rate	-5.65%	7.30%

⁽¹⁾ The comparatives have been restated due to the change in discontinued operations. Refer to note 5 for more details.

⁽²⁾ June 2020 percentage has changed due to the correction of prior period errors

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 is measured at historical cost less accumulated depreciation and impairment.

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

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

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

i) Measured at fair value (land 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. For the 2021 financial year, leased assets were assessed in terms of IFRS 16 Leases and were depreciated over the shorter of the lease term and their useful lives.

Residual values, useful lives and depreciation method of each asset are reviewed at the end of each reporting year. Items of 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 2021

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 taken into account when determining residual values:

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

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

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

Asset Category	2021 Years	2020 Years
Land and buildings ⁽¹⁾	25 – 50	25 – 50
Plant and machinery – owned	5 – 16	5 – 16
Office furniture	5 – 7	5 – 7
Motor vehicles – owned	3 – 6	3 – 6
Computers	3 – 7	3 – 7
Leased assets ⁽²⁾	2 – 10	2 – 10
Leasehold improvements ⁽³⁾	3 – 10	3 – 10

⁽¹⁾ Land does not get depreciated

⁽²⁾ As a result of adopting IFRS 16, leased assets are disclosed separately as right of use assets, refer to note 14.

⁽³⁾ 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.

Plant and equipment carried at R1

As at year end, the group had a number of items of plant and equipment that have been fully depreciated and is currently being carried at R1 or nil value. These items were originally purchased at R58.6 million (2020: R64.3 million). The assessments of residual values and useful lives of these items is considered appropriate.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2021

R'000	Land and buildings	Plant and machinery	Office furniture	Motor vehicles	Leased assets	Computers	Leasehold improvements	Capital work in progress ⁽¹⁾	Total
Opening balance									
Cost or revaluation	691 823	913 762	67 575	20 667	13 043	58 274	27 598	32 348	1 825 090
Accumulated depreciation and impairment	(85 882)	(583 495)	(37 290)	(9 577)	(12 977)	(35 990)	(20 880)	-	(786 091)
Net book value at 1 July 2020	605 941	330 267	30 285	11 090	66	22 284	6 718	32 348	1 038 999
Additions	97 639	118 379	13 109	7 341	-	21 106	977	6 755	265 306
Revaluation	2 621	-	-	-	-	-	-	-	2 621
Disposal of business	-	-	-	-	-	(31)	-	-	(31)
Disposals	(1)	(3 368)	(1 464)	(1 464)	-	(299)	-	(382)	(6 978)
Transfers between asset categories	1 244	31 516	(8)	5	(66)	72	(2 900)	(29 863)	-
Transfers from inventory ⁽²⁾	-	3 924	-	-	-	-	-	-	3 924
Transfers from intangible assets	-	-	7	-	-	9	-	-	16
Reclassification to right of use assets	-	-	-	-	-	(3)	-	-	(3)
Transfers to disposal group classified as assets held for sale	(557 604)	(276 626)	(17 226)	(10 917)	-	(24 039)	(292)	(15)	(886 719)
Foreign exchange movements	(73 690)	(36 166)	(1 483)	(1 229)	-	(2 759)	-	-	(115 327)
Depreciation	(14 450)	(65 592)	(7 223)	(4 057)	-	(8 712)	(1 269)	-	(101 303)
Net book value at 30 June 2021	61 700	102 334	15 997	769	-	7 628	3 234	8 843	200 505
Made up as follows:									
Cost or revaluation	301 194	365 314	32 574	781	-	11 634	32 001	8 843	752 341
Accumulated depreciation and impairment	(239 494)	(262 980)	(16 577)	(12)	-	(4 006)	(28 767)	-	(551 836)
Net book value at 30 June 2021	61 700	102 334	15 997	769	-	7 628	3 234	8 843	200 505

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

⁽²⁾ Transfer of demonstration equipment from inventory to plant and machinery

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2020

R'000	Land and buildings	Plant and machinery	Office furniture	Motor vehicles	Leased assets	Computers	Leasehold improvements	Capital work in progress ⁽¹⁾	Total
Opening balance									
Cost or revaluation	535 755	737 620	49 593	11 127	60 022	80 041	53 345	29 885	1 557 388
Accumulated depreciation and impairment	(23 220)	(255 186)	(24 678)	(4 430)	(31 225)	(66 746)	(41 860)	(5 540)	(452 885)
Net book value at 1 July 2019	512 535	482 434	24 915	6 697	28 797	13 295	11 485	24 345	1 104 503
Additions	91 321	76 467	14 109	9 341	40	23 256	1 641	21 855	238 030
Revaluation	13 768	-	-	-	-	-	-	-	13 768
Disposals	-	(3 412)	(458)	(1 667)	-	(298)	(3 021)	(12 695)	(21 551)
Impairments and scrapping ⁽³⁾	-	(204 233)	-	-	-	-	-	-	(204 233)
Transfers between asset categories	-	4 725	(196)	-	258	47	97	(4 930)	1
Transfers from inventory ⁽²⁾	-	57 836	-	-	-	-	-	-	57 836
Transfers to intangible assets	-	-	-	-	-	(751)	-	-	(751)
Transfers from lease receivable	-	7 984	-	-	-	-	-	-	7 984
Reclassification to right of use assets	-	(15 745)	-	-	(22 608)	-	-	-	(38 353)
Transferred to disposal group classified as assets held for sale	(106 988)	(38 261)	(2 670)	-	507	(7 315)	(1 333)	4 144	(151 916)
Foreign exchange movements	110 007	49 962	1 231	1 249	(1 104)	2 743	(27)	(371)	163 690
Depreciation	(14 702)	(87 490)	(6 646)	(4 530)	(5 824)	(8 693)	(2 124)	-	(130 009)
Net book value at 30 June 2020	605 941	330 268	30 285	11 089	66	22 284	6 718	32 348	1 038 999
Made up as follows:									
Cost or revaluation	691 823	913 762	67 575	20 667	13 043	58 274	27 598	32 348	1 825 090
Accumulated depreciation and impairment	(85 882)	(583 495)	(37 290)	(9 577)	(12 977)	(35 990)	(20 880)	-	(786 091)
Net book value at 30 June 2020	605 941	330 267	30 285	11 090	66	22 284	6 718	32 348	1 038 999

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

⁽²⁾ Transfer of demonstration equipment from inventory to plant and machinery.

⁽³⁾ Refer to Note 15 for detailed impairment disclosure.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

13. Property, plant and equipment (continued)

Fair value of land and buildings

An independent valuation of the group's land and buildings was performed at 30 June 2021 to determine the fair value of land and buildings. Valuations are performed with sufficient regularity at least every three years to ensure that the fair value of revalued assets does not differ materially from the carrying amount, and the net amount is restated to the revalued amounts of the assets.

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

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

	Consumer Health Africa		Scitec ⁽³⁾		Remedica ⁽¹⁾		Biosciences ⁽²⁾	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Opening balance	59 253	59 821	-	92 267	546 688	360 447	-	-
Additions	-	-	-	703	97 639	90 466	-	152
Transferred to assets held for sale	-	-	-	(106 836)	(557 604)	-	-	(152)
Transfers between asset categories	-	-	-	-	1 244	-	-	-
Revaluation gain	2 621	-	-	-	-	13 768	-	-
Depreciation for the period	(174)	(568)	-	(5 539)	(14 276)	(8 595)	-	-
Foreign exchange differences	-	-	-	19 405	(73 690)	90 602	-	-
Closing balance	61 700	59 253	-	-	1	546 688	-	-

⁽¹⁾ Remedica land and buildings have been classified as held for sale in the current year. The property is encumbered with the Cyprus loan facility.

⁽²⁾ The Biosciences land and buildings were disposed of during the previous year.

⁽³⁾ The Scitec land and buildings were disposed of during the current year.

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

				2021	2020
Property	Rent/m ²	Growth rate	Capitalisation rate	Carrying amount	Carrying amount
Consumer Health Africa - Erf 1114 & 1115	R3 970 - R4 712	2%	10% - 11%	35 545	36 365
Remedica				307 838	529 687

The Consumer Health Africa properties, Erf 1114 & 1115 were due for a valuation in the current year. A valuation of these properties was performed on 30 June 2021 by an independent valuator, W.J. Hewitt, a professional associated valuator (registration number 12) and appraiser appointed in terms of provision of section 6(1) of the Estate Act (Act 66 of 1965). The valuation was performed using the income approach.

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

Remedica buildings have been transferred to held for sale and are due for revaluation in the 2022 financial year.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

13. Property, plant and equipment (continued)

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

2021

	Consumer Health Africa Erf 1114 and Erf 1115	
	Increase	Decrease
Market capitalisation rate - 100 basis points	(617)	617
Gross market rental (rate/m ²) - 5%	(3 085)	3 085
Growth rate - 20 basis points	(123)	123

14. Right-of-use assets

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

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 25) 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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

14. Right-of-use assets (continued)

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

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

	2021 R'000	2020 R'000
Buildings	148 470	210 809
Plant and machinery	8 652	47 428
Motor vehicles	-	48 827
Office equipment	553	3 701
Land	-	9 188
Total right-of-use assets	157 675	319 953

Additions to the right-of-use assets during the 2021 financial year were R31 million.

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

	2021 R'000	2020 R'000
Buildings	30 506	41 293
Plant and machinery	10 195	20 761
Motor vehicles	-	11 744
Office equipment	247	898
Land	-	170
Depreciation charge right-of-use assets	40 948	74 866

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.

15. Intangible assets and goodwill (continued)

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

(b) Research and development

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

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

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

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

Directly attributable costs that are capitalised as part of the intangible asset include the employee costs and an appropriate portion of overheads. Capitalised development costs are recorded as an intangible assets and amortised from the point at which the asset is ready for use being the date at which all regulatory requirements necessary to commercialise the product have been met.

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

(b) Intangible assets with definite useful life

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

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

The group has no intangible assets with indefinite useful life.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

15. Intangible assets and goodwill (continued)

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

Classes	Description	Useful life considerations
Brands and trademarks	Marketing-related trade names which are words, names or symbols used in trade to indicate the source of a product and to distinguish it from the service or products of other entities.	5 years - 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 acquired as part of a business combination. The assets generate the right to use the drug master file by customers while the group retains the assets.	25 – 30 years

Impairment

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

15. Intangible assets and goodwill (continued)

Intangible assets and goodwill - 2021

R'000	Goodwill	Brands and trademarks	Licences and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance								
Cost	3 781 036	1 371 154	32 294	-	1 075 437	239 351	1 811 869	8 311 141
Accumulated amortisation and impairment	(1 111 143)	(498 930)	(27 991)	-	(334 989)	(53 593)	(609 796)	(2 636 441)
Carrying value as at 1 July 2020	2 669 893	872 224	4 303	-	740 448	185 758	1 202 073	5 674 700
Additions	-	61 777	28 936	4 579	-	-	140 565	235 857
Disposals	-	(36 948)	(297)	-	-	-	(787)	(38 032)
Transfers between categories	-	31 496	(88)	-	137	(86 998)	55 453	-
Transfers (to)/from disposal group classified as assets held for sale	(2 155 185)	(743 949)	569	(4 579)	(557 137)	(90 840)	(1 115 581)	(4 666 702)
Transfer from property, plant and equipment	-	-	(16)	-	-	-	-	(16)
Amortisation	-	(53 959)	(8 468)	-	(30 055)	(1 354)	(42 605)	(136 441)
Impairment	(85 948)	-	-	-	(3 323)	-	(32 445)	(121 716)
Foreign exchange movements	(258 851)	(100 320)	103	-	(66 822)	(6 566)	(151 526)	(583 982)
Carrying value as at 30 June 2021	169 909	30 321	25 042	-	83 248	-	55 147	363 667
Made up as follows:								
Cost	996 330	109 476	40 652	-	307 886	16 496	143 582	1 614 422
Accumulated amortisation and impairment	(826 421)	(79 155)	(15 609)	-	(224 638)	(16 496)	(88 436)	(1 250 755)
Carrying value as at 30 June 2021	169 909	30 321	25 043	-	83 248	-	55 146	363 667

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

15. Intangible assets and goodwill (continued)

Intangible assets and goodwill - 2020

R'000	Goodwill	Brands and trademarks	Licence and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance								
Cost	5 034 644	1 936 684	58 559	-	1 110 975	237 669	1 680 266	10 058 797
Accumulated amortisation and impairment	(2 526 397)	(1 061 105)	(47 163)	-	(359 162)	(35 517)	(694 124)	(4 723 468)
Carrying value as at 30 June 2019	2 508 247	875 579	11 396	-	751 813	202 152	986 142	5 335 329
Additions	-	23 367	5 290	2 351	-	-	85 434	116 442
Disposals	-	(2 025)	(18)	-	-	-	(955)	(2 998)
Transfers between categories	-	31 733	(177)	-	28 598	(15 969)	(44 185)	-
Transfers (to)/from disposal group classified as assets held for sale	-	683	(1 870)	(2 587)	-	-	-	(3 774)
Transfer (to)/from property, plant and equipment	-	-	-	-	-	-	751	751
Amortisation	-	(93 674)	(4 728)	-	(42 833)	(10 928)	(38 256)	(190 419)
Impairment	(203 983)	(138 837)	(6 961)	-	(113 351)	(5 774)	(1 858)	(470 764)
Reversal of impairment ⁽¹⁾	-	7 442	-	-	28 598	-	-	36 040
Exchange rate differences	365 629	167 956	1 371	236	87 623	16 277	215 001	854 093
Carrying value as at 30 June 2020	2 669 893	872 224	4 303	-	740 448	185 758	1 202 074	5 674 700
Made up as follows:								
Cost	3 781 036	1 371 154	32 294	-	1 075 437	239 351	1 811 869	8 311 141
Accumulated amortisation and impairment	(1 111 143)	(498 930)	(27 991)	-	(334 989)	(53 593)	(609 796)	(2 636 441)
Carrying value as at 30 June 2020	2 669 893	872 224	4 303	-	740 448	185 758	1 202 074	5 674 700

⁽¹⁾ The reversal of impairment was in respect of brands and trademarks and customer relationships held by Chempure (Pty) Ltd included in the Consumer Health Africa segment.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

15. Intangible assets and goodwill (continued)

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

Summary of goodwill 2021					
R'000	Opening balance	Impairment	Transfer to discontinued operations	Foreign currency translation	Closing balance
Consumer Health Africa	16 481	(16 481)	-	-	-
Sun Wave	72 951	-	(63 680)	(9 271)	-
Remedica	1 963 896	-	(1 714 316)	(249 580)	-
Medical	312 801	(69 467)	(73 425)	-	169 909
Animal Health	303 764	-	(303 764)	-	-
Total	2 669 893	(85 948)	(2 155 185)	(258 851)	169 909

Summary of goodwill 2020

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

Individually material intangible assets

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

			Carry value		Remaining useful life	
			2021	2020	2021	2020
2021	Reporting Segment	Intangible Asset	R'000	R'000		
CGU						
Ascendis Consumer Brands	Consumer Health	Brands and trademarks	21 556	32 881	13	14
Sun Wave ⁽¹⁾	Consumer Health	Brands and trademarks	-	802 117	-	17
Ascendis Animal Health ⁽¹⁾	Animal Health	Brands and trademarks	-	22 220	-	17
Chempure	Consumer Health	Customer relationships	24 761	28 598	11	12
Respiratory Care Africa ⁽¹⁾	Medical	Customer relationships	-	28 650	-	14
The Scientific Group	Medical	Customer relationships	53 856	58 102	14	15
Remedica ⁽¹⁾	Pharma	Customer relationships	-	537 476	-	26
Kyron Laboratories ⁽¹⁾	Animal Health	Customer relationships	-	46 645	-	8
Farmalider ⁽¹⁾	Pharma	Contractual agreements	-	93 564	-	15
Ascendis Animal Health ⁽¹⁾	Animal Health	Contractual agreements	-	20 553	-	17
Kyron Laboratories ⁽¹⁾	Animal Health	Contractual agreements	-	62 971	-	13
Farmalider ⁽¹⁾	Pharma	Drug master files	-	49 242	-	25
Ascendis Pharma	Pharma	Drug master files	53 756	69 158	20	21
Remedica ⁽¹⁾	Pharma	Drug master files	-	1 084 28	-	26

⁽¹⁾ These balances are classified as held for sale in the current year.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

15. Intangible assets and goodwill (continued)

Impairment tests for CGUs

Impairment tests are conducted annually and are based on the projected sustainable cash flow methodology in determining the value in use. Using a time horizon of five years, board approved CGU budgets for the 2022 financial year form the base of the assessment.

The 2022 cash flows are extrapolated to the following four years. A long-term growth rate is applied to the final forecast year's cash flows to determine cash flows into perpetuity. The present value of these cash flows is calculated by applying an appropriate discount factor, determined after consideration of both systematic and unsystematic risks for each CGU.

These tests were performed on intangible assets and goodwill and property, plant and equipment as at 30 June 2021. Impairment included in continuing operations in the statement of profit or loss amounted to R89.3 million (2020: R477.0 million (restated)). There is no impairment reversal recognised in the current year (2020: R36.0 million). Impairment included in profit from discontinued operations amounted to R32.4 million (2020: R490.1 million (restated)). In total, the net impairment recognised in the current year amounted to R121.7 million (2020: R967.1 million). Further, an impairment of R95.6 million was recognised in terms of the re-measurement of the carrying value of the discontinued operation in accordance with the requirements of IFRS 5. The reduction of the group's share price is an indicator of impairment, with contributions thereto being the continuing adverse economic conditions in South Africa, the government-imposed restrictions related to the Covid-19 pandemic and continued liquidity constraints. The 2021 impairments were as a result of these factors and the challenging economic outlook at the valuation date of 30 June 2021.

The table below illustrates the total impairment for goodwill and intangible assets (and property, plant and equipment for the 2020 financial year) for each CGU:

30 June 2021 CGU	Reporting Segment	Carrying value R'000	Recoverable amount R'000	Impairment amount R'000
The Scientific Group ⁽¹⁾	Medical	284 302	228 449	69 457
Pharmachem ^{(2) (4)}	Pharma Africa	(453 205)	(536 111)	3 323
Ascendis Consumer Brands ⁽³⁾	Consumer Health Africa	(360 534)	(273 911)	16 491
Farmalider ^{(4) (5)}	Farmalider	96 504	64 019	32 445
Total impairments				121 716

⁽¹⁾ This impairment was identified in December 2020 and despite an increase in the recoverable amount was not reversed at 30 June 2021 as goodwill impairment is not reversed in terms of the requirements of IAS 36.

⁽²⁾ This CGU was assessed at interim and is now dormant following the disposal of Dezzo. The interim impairment represents the value of the remaining client relationships intangible asset.

⁽³⁾ The recoverable amount was determined by estimating the CGU's fair value less costs of disposal.

⁽⁴⁾ The recoverable amount was determined by estimating the CGU's value in use

⁽⁵⁾ The impairment assessment was performed during interim reporting before it was classified as a discontinued operation and held for sale.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

15. Intangible assets and goodwill (continued)

30 June 2020		Carrying value	Recoverable amount	Impairment amount
CGU	Reporting Segment	R'000	R'000	R'000
Surgical Innovations	Medical	81 009	(225 767)	252 548
Ortho-Xact	Medical	(14 232)	(162 598)	55 882
Dezzo	Pharma Africa	41 709	27 000	14 709
Chempure	Consumer Health Africa	(176 100)	(140 060)	(36 040)
Ascendis Consumer Brands	Consumer Health Africa	(15 460)	(210 708)	190 316
Farmalider	Farmalider	263 371	85 241	178 130
Avima (including KlubM5)	Biosciences	109 479	78 000	31 438
Scitec	Scitec	342 959	75 060	267 899
Direct selling	Other	22 660	10 500	12 160
Total impairments				967 042

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

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

Assumptions have been applied for the analysis of each CGU within the operating segment. All assets and liabilities for each CGU have been considered when determining impairment. Ascendis has a robust budgeting process and the revenue growth rates have been assessed on a prudent basis with a key focus on cash generation. The continuing impact of Covid-19 and economic restrictions were considered in determining the budgeted cash flows for the 2022 financial year. Cash flows in the budget and forecast years have been adjusted for the reversal of lease payments in terms of IFRS16 Leases in the underlying budgets and notional capital expenditures estimated using the depreciation associated with the right-of-use assets have been included in the cash flows to accommodate either the renewal of the leases or the acquisition of the underlying assets.

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

The fair value less costs of disposal (FVLCD) was used in determining the Consumer Health impairment. The FVLCD was determined based on an average of risk adjusted unsolicited and non-binding offers made for the CGU. The key valuation inputs in the fair value assessment are the non-binding offers, the risk adjusted discount to these offers and the estimated costs related to disposal processes. All these inputs are unobservable, making this a level 3 fair value assessment.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

15. Intangible assets and goodwill (continued)

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

Assumptions

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

The following table details the main assumptions underlying forecasts from 2022 to 2026. Budget and forecast CGU gross profit margins are closely correlated with those achieved in the 2021 financial year unless there is clear evidence from management to support changes.

2021	Sales volume & growth %	Other operating costs growth %	Annual capex & research and development (% of Sales)	Long- term growth rate %	Pre-tax discount rate %
Surgical Innovations ⁽¹⁾	8.2%	68.0%	7.0%	4.8%	20.7%
Ortho-Xact ⁽¹⁾	10.2%	53.4%	6.4%	4.8%	24.6%
The Scientific Group	7.3%	7.2%	4.4%	4.8%	21.2%
Chempure	6.5%	4.9%	0.5%	4.8%	20.6%
Skin	6.2%	7.6%	1.2%	4.8%	21.4%
Ascendis Pharma	13.2%	8.3%	0.8%	4.8%	22.2%

⁽¹⁾ Other operating costs growth rates indicate a significant increase because the group cash constraints and COVID-19 restrictions resulted in significantly lower marketing spend in FY20 and FY21. Marketing expenditures are expected to return to historic levels in FY22.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

15. Intangible assets and goodwill (continued)

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

Sensitivities

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

Sensitivity analysis 2021	Sales volume & growth	Other operating costs growth	Annual capex & research and development (% of Sales)	Long-term growth rate %	Pre-tax discount rate %
The Scientific Group ⁽¹⁾	(1.0%)	2.2%	1.3%	(3.3%)	2.7%
Chempure	(15.6%)	35.2%	11.8%	n/a	n/a
Skin	(1.8%)	3.0%	4.8%	(37.3%)	18.3%
Ascendis Pharma	(1.5%)	2.1%	2.7%	(19.7%)	13.0%

n/a - The surplus of recoverable amount over carrying value is more than 100% of the recoverable amount and annual cash flows are all positive. Therefore, without other changes that would result in negative annual cash flows, changes in the long-term growth rate and pre-tax discount rate cannot result in an impairment.

⁽¹⁾ The CGU was impaired at interim reporting and the sensitivities are based on information that was available at year end.

The remaining goodwill relates to The Scientific Group and, as can be derived from the sensitivity analysis, there is low headroom for a change to the forecast growth assumptions.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

15. Intangible assets and goodwill (continued)

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

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.

	2021 R'000	2020 R'000
Other financial assets measured at amortised cost		
Previous owners of Chempure t/a Solal	9 521	9 021
Director of Ascendis	-	4 168
Loans to key management	-	1 026
Other financial assets	-	1 635
Epik loan	-	7 911
Investment Fund	2 151	2 669
Loans to external parties ⁽¹⁾	31 462	23 231
Staff loans	14	1 455
Less: Specific credit loss allowance	(19 662)	(19 662)
Less: Expected credit loss	(9 521)	(10 548)
	13 965	20 906
Current other financial assets	14	5 057
Non-current other financial assets	13 951	15 849
Other financial assets	13 965	20 906

⁽¹⁾ Consists of loans to previous Ascendis directors and key management staff who have since left the group. The loans bear interest at 7.5% and 9% compounded annually respectively and are repayable between July 2020 and June 2025.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

16. Other financial assets (continued)

Other financial assets consist of the following receivables:

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

Investment Fund: Relates to an 16% investment in a venture capital company, WDB Growth Fund (Pty) Ltd.

Specific ECL: Specific credit loss allowance related to loans to some of the external parties has been raised as they are not expected to be recoverable.

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

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 realized.

Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax is realised or settled.

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 2021

17. Deferred Tax (continued)

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

	2021 R'000	Restated ⁽¹⁾ 2020 R'000
The gross movement on deferred tax is as follows:		
Gross movement in the deferred income tax assets account:		
Deferred tax asset ⁽²⁾	101 749	127 476
Deferred tax liability	(216 473)	(443 403)
Opening balance at the beginning of the year	(114 724)	(315 927)
Disposal of entities	(59 775)	-
Income statement charge	(83 708)	107 589
Charged through equity	-	54 873
FCTR	13 361	-
Foreign exchange difference	15 027	(47 866)
Transferred to assets and liabilities held for sale	221 405	86 607
Closing balance at end of year	(8 414)	(114 724)
Deferred tax assets	68 356	101 749
Deferred tax liabilities	(76 770)	(216 473)
Net deferred tax liability	(8 414)	(114 724)
The deferred tax balance is attributable to the following items:		
Capital allowances	(5 132)	45 348
Intangible assets	(23 083)	(213 699)
Lease liability	1 416	23 898
Right-of-use asset	(4 276)	(18 375)
ECL	12 881	(10)
Provisions	14 914	68 050
Taxation losses	44 729	33 880
Contract liability	1 200	537
Foreign exchange difference	(44 575)	-
Other	(7 383)	(32 724)
Prior period adjustments	1 051	(34 662)
Prepayments	(156)	13 033
Operating lease liability	-	-
	(8 414)	(114 724)

⁽¹⁾ The comparatives have been restated for prior period errors, refer to the Restatement note for further details.

⁽²⁾ The group expects to make future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences and as such have recognised the deferred tax assets. The deferred tax asset recoverability assessment considers the probability of forecasted future taxable income, which may include future tax planning strategies.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

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 take into account the following:

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

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

Management's estimate on stock obsolescence provision 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 2021

18. Inventories (continued)

	2021 R'000	2020 R'000
Raw materials, components	60 127	420 888
Finished goods	366 209	916 869
Work in progress	7 918	157 758
Goods in transit	19 795	87 232
Total inventories net of provision for impairment	454 049	1 582 747

	2021 R'000	2020 R'000
Reconciliation of provision for impairment		
Balance at the beginning of the year	(78 299)	(89 931)
Raised during the year	(13 807)	(53 506)
Utilised during the year	17 389	39 373
Businesses disposed	-	984
Transfer to disposal group classified as held for sale	1 782	26 613
Foreign exchange movements	7	(1 832)
Balance at the end of the year	(72 928)	(78 299)

Amounts recognised in profit or loss

Inventories written down for the year ended 30 June 2021 amounted to R74.1 million (2020: R100.8 million). These were recorded in cost of sales.

No inventories are carried at fair value less costs to sell at 30 June 2021.

No reversals of previous inventory write-down's occurred during the year ended 30 June 2021.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

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 in terms of the IFRS 9: *Financial Instruments*.

	2021 R'000	2020 R'000
Trade receivables	359 040	2 143 158
Less: provision for impairment of trade receivables	(29 585)	(102 950)
Less: provision for credit notes	(5 018)	(4 033)
Trade receivables - net	324 437	2 036 175
Prepayments	17 348	149 017
Deposits	6 785	8 369
VAT	29 561	103 906
Accrued income	-	2 901
Right of return asset	2 994	12 212
Dezzo disposal consideration receivable	8 343	-
Other receivables	17 876	43 531
	407 344	2 356 111
Current trade and other receivables	407 344	2 321 597
Non-current trade and other receivables	-	34 514
Trade and other receivables	407 344	2 356 111

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 for each debtor in terms of IFRS 9, refer to the credit risk section for further details on the credit risk management policies (Note 31).

20. Cash and cash equivalents

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

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

20. Cash and cash equivalents (continued)

Cash and cash equivalents consist of the following:

	2021 R'000	2020 R'000
Rand denominated bank balances	325 132	204 143
Foreign denominated bank balances	40 758	141 131
Cash on hand	89	577
Short-term deposits	-	47 281
Cash and cash equivalents	365 980	393 131
Bank overdraft	(69)	(49 148)
Net cash and cash equivalents per statement of cash flows	365 911	343 983

During July 2018, Ascendis Health issued a long-term share incentive retention scheme (LTI) (the fair value of the scheme is currently nil). Ascendis entered into a transaction with a bank that holds Ascendis shares equal to the phantom shares issued to employees on the LTI scheme. Any shortfall between the current Ascendis share price and the grant date share price should be paid to the bank and is held as collateral against the shortfall. This is restricted cash held by the bank on behalf of Ascendis. It will remain as collateral until the Ascendis share price has moved above the original grant date share price. As at 30 June 2021, an amount of R60.4 million (2020: 75.0 million) is held by the bank as collateral.

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. The amounts are unsecured and are usually paid within 30 days of recognition.

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

	2021 R'000	Restated ⁽¹⁾ 2020 R'000
Trade payables	316 970	1 135 566
Other payables	21 243	135 789
VAT	38 482	9 884
Accrued expenses ⁽³⁾	53 506	137 133
Accrued payroll expenses	86 516	117 759
Refund liabilities	5 279	16 285
Dividends payable ⁽²⁾	757	22 971
Trade and other payables	522 753	1 575 387

⁽¹⁾ Trade payables have been restated. Refer to the restatement section of the accounting policies note for more details.

⁽²⁾ Unclaimed dividends held by Ascendis on behalf of shareholders.

⁽³⁾ Included in accrued expenses are project related costs of R18.1 million.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

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.

2021 R'000	Opening balance	Additions	Unused provision reversed	Utilised	Foreign currency translation	Transfer to assets held for sale	Closing balance
Other provisions	26 795	18 243	(904)	(12 001)	(208)	(10 872)	21 053
Retention bonus provision	9 407	-	-	(9 407)	-	-	-
Commission provision	4 127	816	-	(4 755)	-	(188)	-
Leave pay provision	50 758	25 941	(3 221)	(23 856)	(2 387)	(22 383)	24 852
	91 087	45 000	(4 125)	(50 019)	(2 596)	(33 443)	45 904

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

Other provisions

Other provisions relate to various matters within the group. These consist of provision for onerous contracts, buy out provisions and legal action. The group has recognised provisions in respect of these matters based on estimates and the probability of outflow of economic benefits. The group has recognised the provision for legal action in relation to the various legal claims against the group and the amounts that the group is expecting in order to settle the obligation. The provision is expected to be utilised within the next 12 months.

Retention bonus provision

The retention bonus provision is recognised for payments to key staff that the group is looking to retain in entities going through disposals or restructuring.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

22. Provisions (continued)

Commission provision

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

Restructuring provision

Restructuring provisions are recognised when the group has developed a detailed formal plan for restructuring and raised a valid expectation in those affected that it would carry out restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessary entailed by the restructuring and not associated with the ongoing activities of the group. The provision is expected to be utilised over the next 12 months.

23. Contract liability

Warranty and rebate contract liability

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

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

Settlement discount provision

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

2021 R'000	Opening balance	New contracts entered	Liability reversed	Revenue recognised	Transfer to assets held for sale	Closing balance
Warranty and rebates	41 395	31 866	(1 914)	(40 147)	(21 122)	10 078
Settlement discount provision	4 725	56 732	(3 203)	(53 091)	-	5 163
	46 120	88 598	(5 117)	(93 238)	(21 122)	15 241

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

23. Contract liability (continued)

2020 R'000	Opening balance	New contracts entered	Liability reversed	Revenue recognised	Transfer from assets held for sale	Closing balance
Warranty and rebates	9 983	36 856	-	(6 042)	598	41 395
Settlement discount provision	4 082	52 222	(1 809)	(50 318)	548	4 725
	14 065	89 077	(1 809)	(56 360)	1 146	46 120

The following table represents the split between current and non-current contract liabilities:	2021 R'000	2020 R'000
Non-current	-	8 826
Current liabilities	15 241	37 294
	15 241	46 120

25. 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.

25. Lease liabilities (continued)

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 past history of terminating/not renewing leases. The assessment is reviewed if a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

25. Lease liabilities (continued)

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

	2021 R'000	2020 R'000
Current	27 973	55 192
Non-current	165 300	294 186
Total lease liabilities	193 273	349 378
Amounts recognised in the income statement	2021 R'000	2020 R'000
Total finance costs	35 135	33 445
Expense relating to short-term and low value leases included in other operating expenses	8 062	10 663
Amounts recognised in the statement of cash flows		
Continuing Operations		
Interest paid	26 589	30 327
Repayments of lease liabilities	36 719	55 793
Cash outflow on leases	63 308	86 120
Discontinued Operations		
Interest paid	8 546	3 118
Repayments of lease liabilities	35 041	10 877
Cash outflow on leases	43 587	13 995
Total cash outflow on leases	106 895	100 115

26. Stated capital

Ordinary shares

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

Treasury shares

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

26. Stated capital (continued)

	2021 R'000	2020 R'000
Opening balance	5 975 703	5 975 703
Treasury shares released during the year ⁽¹⁾	42 081	-
Closing balance	6 017 784	5 975 703

⁽¹⁾ 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.

	2021 '000	2020 '000
Number of shares		
Authorised shares (no par value)	2 000 000	2 000 000
Issued shares (fully paid up)	489 470	489 470
Reconciliation of number of shares in issue net of treasury shares		
Ordinary shares - opening balance	477 515	477 515
Issued during the year	-	-
Ordinary shares - closing balance	477 515	477 515
Treasury shares movement in the year ⁽¹⁾	3 979	-
Held at the beginning of the period	11 955	11 955
Held at the end of the period	(7 976)	(11 955)
Net closing balance	481 494	477 515

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

27. Other reserves

Other reserves - 30 June 2021

R'000	Common control reserve ¹	Distributable reserve ²	Statutory reserve ³	Total other reserves
Balance as at 1 July 2020	(82 011)	71 407	4 560	(6 044)
Foreign currency translation	-	(9 072)	-	(9 072)
Farmalider allocation of statutory reserve	-	-	(579)	(579)
Reclassification to retained earnings ⁽⁴⁾	63 309	106	-	63 415
Total contributions by and distributions to owners of the group recognised directly in equity	63 309	(8 966)	(579)	53 764
Balance as at 30 June 2021	(18 702)	62 441	3 981	47 720

⁽¹⁾ Reserves from restructuring of CGU's within the Ascendis group.

⁽²⁾ Reserve relates mainly to Farmalider's group accumulated earnings which could be distributed as a dividend, at the board's discretion.

⁽³⁾ 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.

⁽⁴⁾ Change in control reserve relating to the sale of Ascendis Health Direct (Pty) Ltd, Swissgarde (Pty) Ltd, K2012021382 (South Africa) (Pty) Ltd and Avima (Pty) Ltd and the release with the deregistration of Efekto Care (Pty) Ltd.

Other reserves - 30 June 2020

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

28. Cash generated from operations

	2021 R'000	Restated ⁽¹⁾ 2020 R'000
Loss after tax from continuing operations	(1 616 124)	(1 561 665)
Adjustments for:		
Tax from continuing operations	85 350	(122 946)
Depreciation and amortisation	100 985	143 625
Impairment of intangible assets	89 365	258 469
Impairment of property, plant and equipment	-	204 233
Net loss/(profit) on sale of assets	3 353	(881)
Net loss on disposal of subsidiary	296 335	-
Net loss/(profit) on foreign exchange	(22 278)	18 073
Fair value measurement of financial assets and liabilities	4 386	-
Provisions and contract liability raised/(released)	(112 970)	70 301
Net movement in trade and other receivables estimated credit losses	19 103	14 394
Net movement in obsolete stock allowance	13 807	50 126
Finance income	(4 824)	(4 018)
Finance expense	1 085 138	792 340
Remeasurement of deferred vendor liabilities	(22 499)	-
Long term incentive adjustment	-	(7 001)
Capitalised fees amortised	5 932	42 631
Impairment of other financial assets	-	20 162
Changes in working capital:		
Inventories	31 176	(38 140)
Trade and other receivables	44 859	108 847
Trade and other payables	(77 183)	114 907
Provisions	84 474	(15 841)
Cash generated from operations	8 385	87 615

29. Tax paid

	2021 R'000	2020 R'000
Balance at the beginning of the period	(30 986)	(44 767)
Current tax for the period recognised in profit or loss	(1 642)	(16 455)
Disposal of a subsidiary	-	-
Transfer to discontinued operations	18 895	16 650
Foreign exchange differences	-	(542)
Tax Authorities Refund Credit	-	-
Fines and Penalties	-	-
Balance at the end of the period	3 251	30 986
Current tax receivable	(25 895)	(49 695)
Current tax payable	29 146	80 682
Tax paid	(10 482)	(14 128)

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

30. Group companies

Composition of the group

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

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

The group has concluded that it controls Farmalider, even though it holds 49% interest. Following the expiry of the option to acquire the remainder of the shares in respect of Farmalider during 2019, Ascendis determined that they have continued control over Farmalider in accordance with the requirements of IFRS 10 based on the following facts:

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

Details of partially owned subsidiaries

	Proportion of ownership interest and voting rights held by non-controlling interests		Profit attributable to non-controlling interests		Equity attributable to non-controlling interests	
	2021 R'000	2020 R'000	2021 R'000	Restated ⁽¹⁾ 2020 R'000	2021 R'000	Restated ⁽¹⁾ 2020 R'000
Farmalider	51%	51%	36 197	(42 263)	167 612	127 193
Individually immaterial subsidiaries with non-controlling interests	39%	39%	(360)	(6 994)	(380)	(55)
			35 837	(49 257)	167 232	127 138

(1) Non-controlling interest has been restated for the prior year error of deferred tax on impairments. Refer to the restatement section of the accounting policies note for more details.

Material non-controlling interests

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

30. Group companies (continued)

	2021	Restated ⁽¹⁾ 2020
Summarised statement of profit and loss and other comprehensive income	R'000	R'000
Revenue	633 604	618 743
Profit/(loss) before tax	30 163	(164 495)
Total comprehensive income	36 720	(104 550)

	2021	Restated ⁽¹⁾ 2020
Summarised statement of financial position	R'000	R'000
Non-current assets	224 878	279 936
Current assets	340 190	395 560
Total assets	565 068	675 496
Non-current liabilities	140 903	118 903
Current liabilities	265 855	355 915
Total liabilities	406 758	474 818
Total net assets	158 310	200 678

⁽¹⁾ Non-controlling interest has been restated for the prior year error of deferred tax on impairments. Refer to the restatement section of the accounting policies note for more details

	2021	2020
Summarised statement of cash flow	R'000	R'000
Cash flows from operating activities	70 249	(32 035)
Cash flows from investing activities	(73 659)	(44 744)
Cash flows from financing activities	(2 421)	60 314
Net decrease in cash and cash equivalents	(5 831)	(16 465)

31. 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.

31. 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. 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 impairment methodology applied depends on whether there has been a significant increase in credit risk.

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.

31. 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

31.1 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 32 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 2021

31. Financial instruments (continued)

31.2. Categories of financial instruments

2021 R'000	Amortised cost ⁽¹⁾		Fair value through profit or loss	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Financial assets				
Non-current				
Other financial assets	33 612	19 103	-	-
Current				
Trade and other receivables	392 043	1 609 961	-	-
Other financial assets	9 535	8 930	-	-
Cash and cash equivalents	365 980	205 793	-	-
	801 170	1 843 787	-	-
Financial liabilities				
Non-current				
Borrowings and other financial liabilities	8 221	126 514	-	-
Lease liabilities	165 300	75 735	-	-
Current				
Borrowings and other financial liabilities	6 784 252	201 839	-	-
Deferred vendor liabilities	-	840 985	-	-
Derivative financial instruments	-	-	2 773	2 421
Lease liabilities	27 973	29 617	-	-
Trade and other payables	363 356	629 913	-	-
Bank overdraft	69	30 118	-	-
	7 349 171	1 934 721	2 773	2 421

⁽¹⁾ Refer to note 32 for further details on fair value estimation and hierarchy

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.2. Categories of financial instruments (continued)

2020 R'000	Amortised cost ⁽¹⁾		Fair value through profit or loss	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Financial assets				
Non-current				
Other financial assets	45 558	-	-	-
Trade and other receivables	15 879	-	-	-
Current				
Trade and other receivables	2 179 179	-	-	204 694
Other financial assets	5 557	-	-	259
Derivative financial instruments	-	-	961	-
Cash and cash equivalents	393 131	-	-	61 944
	2 639 304	-	961	266 897
Financial liabilities				
Non-current				
Borrowings and other financial liabilities	6 285 087	-	-	-
Deferred vendor liabilities	801 125	-	301 983	-
Lease liabilities	294 186	-	-	-
Current				
Borrowings and other financial liabilities	540 123	-	-	197
Deferred vendor liabilities	-	-	34 499	-
Lease liabilities	55 192	-	-	111 205
Trade and other payables ⁽²⁾	1 303 744	-	-	234 921
Derivative financial instruments	-	-	655	-
Bank overdraft	49 148	-	-	-
	9 328 605	-	337 137	346 323

⁽¹⁾ Refer to note 32 for further details on fair value estimation and hierarchy.

⁽²⁾ Trade and other payables have been restated due to a prior period error on creditors balance from the Medical segment. Refer to the restatement note for further details.

31.3 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.

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

31. Financial instruments (continued)

31.3 Liquidity risk (continued)

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. Such forecasting takes into consideration the group's debt financing plans (group recapitalization), covenant compliance in terms of the SFA.

The Covid-19 pandemic has had a considerable pervasive impact to the global economic environment and inherently liquidity risk perceived. In addition, the group is in the process of a debt restructure which has also affected the liquidity risk.

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

At year end the group had the following liquid resources: trade and other receivables R400.5 million (2020: R2 312.1 million) (Note 19), short-term deposits of Rnil (2020: R47.3 million) and bank balances of R366.0 million (2020: R345.8 million) (including restricted cash of R75.0 million ; 2020: R45.5 million) (Note 20) to manage liquidity risk. Additionally, undrawn ZAR denominated facilities of Rnil (2020: R265.0 million), EURO denominated facilities of €nil (2020: €6.6 million). In addition to the above, the group is in the process of the group recapitalisation and the proceeds from disposals will be used to settle the debt facilities of the group. The net asset value of the discontinued operations that will be used for the repayment of debt facilities is R6.3 billion. Refer to Going concern Note 1 for further details regarding the group recapitalisation.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.3 Liquidity risk (continued)

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.

2021 R'000	Note	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
Continuing operations						
Borrowings and other financial liabilities	3	6 709	6 804 786	15 092	-	6 826 587
Lease liabilities	25	9 615	36 547	40 500	72 080	287 239
Derivatives		2 773	-	-	-	2 773
Bank overdraft	20	69	-	-	-	69
Trade and other payables	21	522 752	-	-	-	522 752
Total		541 918	6 841 333	55 592	72 080	7 639 420
Discontinued operation						
Borrowings and other financial liabilities	5	92 336	106 011	28 792	72 263	328 353
Lease liabilities		7 070	23 056	30 115	42 084	102 325
Deferred vendor liabilities		-	840 985	-	-	840 985
Derivatives		2 421	-	-	-	2 421
Bank overdraft		30 118	-	-	-	30 118
Trade and other payables		791 698	-	-	-	791 698
Total		923 643	970 052	58 907	114 347	2 095 900
2020						
R'000	Note	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
Continuing operations						
Borrowings and other financial liabilities	3	170 247	721 480	6 761 440	43 609	7 696 776
Lease liabilities	25	50 391	137 883	144 570	258 007	662 907
Deferred vendor liabilities	4	-	34 499	1 158 839	-	1 193 338
Bank overdraft	20	49 148	-	-	-	49 148
Trade and other payables	21	1 194 159	84 943	-	-	1 279 102
Total		1 463 945	978 805	8 064 849	301 616	10 881 271
Discontinued operations						
Borrowings and other financial liabilities	5	197	-	-	-	197
Lease liabilities		4 238	12 820	17 517	45 537	92 334
Trade and other payables		86 646	46 864	-	-	133 510
Total		91 081	59 684	17 517	45 537	226 041

31. Financial instruments (continued)

31.4 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.

31. Financial instruments (continued)

31.4 Credit risk (continued)

Provision matrix

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

The 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.

Covid-19 credit risk considerations

An almost unanimous trend across economies, industries and markets the like have reflected significant increases in credit risk as a result of the Covid-19 pandemic. The severely impacted forward outlook offered by forecasted economic data, has resulted in consistent responses from regulators and ratings agencies whereby their scenarios have been adjusted to reflect this change in risk in the 2020 financial year. Based on the economic outlook for 2021, all economies are recovering from the pandemic.

Particular to the group, Moody's Analytics updated their forecasts in 2021 to reflect the recovery of the economies and the expected increase in GDP.

As a result, the various scenarios forecast as offered by Moody's demonstrated scaler factor of between 1.0 to 3.0 (2020: 1.4 to 5.3) and this translating into notable impact on management's assessment and response to credit risk and appropriately reflecting as such in the credit risk adjustments required to be made and disclosed under IFRS requirements. The adjustments encompassed applying loss given default (LGD) measures to reflect the expected improved GDP as a result of economies recovering from COVID-19 pandemic.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.4 Credit risk (continued)

Significant judgement

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

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

The loss allowance as at 30 June 2021 for trade receivables to which the provision matrix had been applied is determined as follows:

2021 R'000	Gross carrying amount	Impairment	Average ECL/ impairment ratio
Continuing operations			
Current	139 270	(2 721)	1.95%
Up to 30 days aged	52 196	(1 748)	3.35%
Up to 60 days aged	11 260	(511)	4.54%
More than 60 days past due	20 044	(8 034)	40.08%
	222 770	(13 014)	5.84%
Discontinued operations			
Current	957 515	(9 502)	0.99%
Up to 30 days aged	138 953	(4 910)	3.53%
Up to 60 days aged	62 860	(3 658)	5.82%
More than 60 days past due	314 035	(67 029)	21.34%
	1 473 363	(85 099)	5.78%
2020 R'000	Gross Carrying Amount	Impairment	Average ECL/ Impairment ratio
Continuing operations			
Current	945 110	(23 588)	2.50%
Up to 30 days aged	288 894	(14 814)	5.13%
Up to 60 days aged	145 538	(12 488)	8.58%
More than 60 days past due	371 931	(34 909)	9.39%
	1 751 473	(85 799)	4.90%
Discontinued operations			
Current	116 065	(11 404)	9.83%
Up to 30 days aged	24 283	(1 208)	4.97%
Up to 60 days aged	13 897	(1 275)	9.17%
More than 60 days past due	54 837	(17 361)	31.66%
	209 082	(31 248)	14.95%

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.4 Credit risk (continued)

Simplified parameter-based approach

ECL is calculated using a formula incorporating the following parameters: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD) i.e. $(PD \times LGD \times EAD = ECL)$. 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. The probability of default as well as the realised loss with defaulted accounts have been determined using historical data for 12 months. The EIR 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:

2021 R'000	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Continuing operations			
Government customers	74 645	(3 482)	71 163
Public listed customers	61 625	(661)	60 964
Specific provision ⁽¹⁾	12 428	(12 428)	-
	148 698	(16 571)	132 127
Discontinued operations			
Government customers	89 224	(2 927)	86 297
Public listed customers	30 773	(414)	30 359
	119 997	(3 341)	116 656
2020 R'000	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Continuing operations			
Government customers	197 243	(2 660)	194 583
Public listed customers	194 442	(14 491)	179 951
	391 685	(17 151)	374 534

⁽¹⁾ The specific provision was raised on debtor balances that were not disposed as part of the Dezzo disposal. The group believes that it will be difficult to recover these balances because the entity to which the balances relate to is no longer part of the group, however the group still can enforce its rights on these balances.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.4 Credit risk (continued)

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

	2021 R'000	2020 R'000
Opening loss allowance	102 949	76 574
New financial assets originated or purchased during the year	38 698	40 289
Increase in loss allowance	38 698	40 289
Receivables written off during the year as uncollectible	(17 309)	(5 164)
Transferred to discontinued operation	(87 557)	(26 878)
Exchange rate differences	(7 196)	18 128
As at 30 June	29 585	102 949

Net impairment loss recognised in the statement of profit or loss amounted to R38.7 million (2020: R40.2 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 directors, the group decided to write off the loan, however the write off needs to be approved by shareholders at the AGM and the for 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 R29.2 million (2019: R30.2 million) recognised. The receivable is credit impaired. The gross carrying amount of other financial assets is R43.1 million (2020: R51.1 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.

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.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.4 Credit risk (continued)

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.

	2021 R'000	Restated 2020 R'000
Credit rating of financial institutions		
Continuing operations		
Baa3	-	226 587
Ba2	365 212	4 922
Baa1	-	47 609
A2	-	39 148
Baa2	-	2 585
Aa2	-	352
Aa3	699	-
Ba1	-	29 859
B1	-	(7 079)
	365 911	343 983
Discontinued operations		
A1	-	48 982
Ba2	24 128	-
Baa1	117 831	-
A2	29 498	-
Ba1	-	12 962
B1	4 219	-
	175 676	61 944

31.5 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.

It has been reiterated that the Covid-19 pandemic had a pervasive effect on the global economic environment and inherently market risk perception. In a South African context, prime and REPO lending rates have not changed in the current year and seen as majorly owing to the impact of the pandemic and the response to stimulate significantly impeded growth.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.5 Market risk (continued)

Interest rate risk

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

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

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

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

R'000	2021		2020	
	Fixed rate instruments	Variable rate instruments	Fixed rate instruments	Variable rate instruments
Continuing Operations				
Non-current financial assets				
Other financial assets	33 611	-	45 558	-
	33 611	-	45 558	-
Current financial assets				
Other financial assets	9 521	-	5 557	-
Cash and cash equivalents	305 320	60 660	316 052	77 079
	314 841	60 660	321 609	77 079
Non-current financial liabilities				
Borrowings and other financial liabilities	8 221	-	-	6 285 087
Deferred vendor liability	-	-	1 103 108	-
	8 221	-	1 103 108	6 285 087
Current financial liabilities				
Borrowings and other financial liabilities	19 654	6 771 307	-	540 123
Deferred vendor liability	-	-	34 499	-
Bank overdraft	69	-	49 148	-
	19 723	6 771 307	83 647	540 123

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.5 Market risk (continued)

R'000	2021		2020	
	Fixed rate instruments	Variable rate instruments	Fixed rate instruments	Variable rate instruments
Discontinued Operations				
Non-current financial assets				
Other financial assets	19 103	-	-	-
	19 103	-	-	-
Current financial assets				
Other financial assets	8 930	-	259	-
Cash and cash equivalents	205 722	71	61 944	-
	214 652	71	62 203	-
Non-current financial liabilities				
Borrowings and other financial liabilities	126 514	-	-	-
	126 514	-	-	-
Current financial liabilities				
Borrowings and other financial liabilities	201 839	-	197	-
Deferred vendor liability	840 985	-	-	-
Bank overdraft	30 118	-	-	-
	1 072 942	-	197	-

Sensitivity analysis

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

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

2021 R'000	Decrease/Increase in profit before tax		
	Change in interest rate	Upward change in interest rate	Downward change in interest rate
JIBAR	1%	(24 223)	24 223

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.5 Market risk (continued)

Foreign exchange risk

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

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

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

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

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

Currency	2021		2020	
	Closing rate	Average rate	Closing rate	Average rate
Euros	16.78	16.73	19.45	19.25
Romanian leu	3.44	3.39	4.01	3.97
Swedish Krona	1.68	1.68	1.86	1.86
UK pound sterling	19.78	19.48	23.35	21.40
US dollar	14.30	13.89	17.32	17.11

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.5 Market risk (continued)

The change in exchange rate applied in the below mentioned sensitivity analysis is based on the actual movement in exchange rates during the 2021 financial year.

2021			
	R'000	Change in exchange rate	Impact on financial results R'000
Foreign denominated balances held by the group at year end:			
Current assets			
UK Pound	321	7.38%	24
Euros	716	12.71%	91
US Dollars	35 550	17.49%	6 218
Current liabilities			
UK Pound	(139)	7.38%	(10)
Euros	(50 179)	12.71%	(6 378)
US Dollars	(102 215)	17.49%	(17 877)
Swedish Krona	(4 951)	9.81%	(486)
Net impact from foreign denominated balances	(120 897)		(18 418)
Foreign operations (majority denominated in Euros):			
Current assets	1 879 753	12.71%	238 917
Current liabilities	(8 276 539)	12.71%	(1 051 948)
Foreign operations (denominated in Romanian Leu):			
Current assets	466 575	14.26%	66 534
Current liabilities	(1 105 118)	14.26%	(157 590)
Net impact from foreign denominated balances⁽¹⁾:	(7 035 329)		(904 087)
Net impact of foreign exposure on profit/loss:	(7 156 226)		(922 505)
Forward exchange contracts			
US dollar	(5 194)	17.49%	(908)
Net impact including economic hedges on profit/loss	(5 194)		(908)

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

⁽¹⁾ This relates to the risk of translating the foreign entities from their respective functional currency to the group's presentation currency.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

2020

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

31.7 Capital risk management

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

31. Financial instruments (continued)

31.7 Capital risk management (continued)

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

The table below serves to illustrate the group's gearing ratio at 2021 and 2020.

	Notes	2021 R'000	Restated ⁽¹⁾ 2020 R'000
Derivative financial instruments	31.6	2 773	655
Borrowings and other financial liabilities	3	6 792 473	6 825 210
Deferred vendor liabilities	4	116 808	1 137 607
Total borrowings		6 912 054	7 963 472
Cash and cash equivalents	20	(365 911)	(343 983)
Net debt		6 546 143	7 619 489
Total equity		513 769	1 420 759
Total capital		7 059 912	9 040 248
Gearing ratio		93%	84%

⁽¹⁾ The comparatives have been restated as a result of the impact of the prior period error. Refer to the restatement note for more detail.

Refer to note 3 regarding the terms and conditions, securities and covenants applicable to borrowings. Refer also to the going concern section of the accounting policy note which details the response taken by the directors to the group's gearing ratio being above the targeted ratio.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

32. 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:

2021 R'000	Notes	Level 1	Level 2	Level 3	Total
Continuing operations					
Measured at fair value on a recurring basis					
Financial liabilities at fair value through profit and loss					
Deferred vendor liabilities	4	-	-	116 808	116 808
Foreign exchange contracts		-	2 773	-	2 773
Not measured at fair value					
Borrowings and other financial liabilities	3	-	6 784 252	-	6 784 252
Total liabilities		-	6 787 025	116 808	6 903 833
Measured on a recurring basis					
Land and buildings	13	-	-	61 700	61 700
Total assets		-	-	61 700	61 700
R'000	Notes	Level 1	Level 2	Level 3	Total
Discontinued operations					
Not measured at fair value					
Borrowings and other financial liabilities	5	-	328 353	-	328 353
Total liabilities		-	328 353	-	328 353
Measured at fair value on a recurring basis					
Measured on a recurring basis					
Land and buildings		-	-	570 789	570 789
Total assets		-	-	570 789	570 789

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

32. Fair value estimation and hierarchy (continued)

2020 R'000	Notes	Level 1	Level 2	Level 3	Total
Measured at fair value on a recurring basis					
Financial liabilities at fair value through profit and loss					
Deferred vendor liabilities	4	-	-	336 482	336 482
Foreign exchange contracts		-	655	-	655
Not measured at fair value					
Borrowings and other financial liabilities	3	-	6 825 210	-	6 825 210
Total liabilities		-	6 825 865	336 482	7 162 347
Measured at fair value on a recurring basis					
Financial assets at fair value through profit and loss					
Foreign exchange contract		-	961	-	961
Measured at fair value on a recurring basis					
Land and buildings			605 941	605 941	
Total assets		-	961	605 941	606 902

Reconciliation of level 3 category instruments

	2021 R'000	2020 R'000
Deferred vendor liabilities:		
Opening balance	336 482	416 307
Repayments during the year	(221 537)	(172 232)
Interest charged	28 830	36 089
Remeasurement	(22 499)	-
Foreign currency translation difference	(4 468)	56 318
	116 808	336 482

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.

32. Fair value estimation and hierarchy (continued)

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 5 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.

33. 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 2021

33. Related parties (continued)

Key management compensation 2021

R'000	Basic Salary	Travel Allowance	Bonus and incentives	Long term incentives	Retirement/ medical benefits	Other benefits and costs ^^	Termination cost ^	Non executive Directors fees	Non executive Directors other services	Total
Executive directors										
MJ Sardi	4 847	-	4 245	1 492	503	78	-	-	-	11 165
CJ Kujenga ⁽¹⁾	1 992	-	1 171	618	286	22	-	-	-	4 089
K Futter ⁽²⁾	901	-	-	-	25	4	2 857	-	-	3 787
Total executive	7 740	-	5 416	2 110	814	104	2 857	-	-	19 041
Key management ⁽³⁾	30 005	785	57 809	-	1 952	5 696	-	-	-	96 246
Total executive and key management	37 745	785	63 225	2 110	2 766	5 800	2 857	-	-	115 287
Non-executive directors										
AB Marshall	-	-	-	-	-	-	-	1 124	-	1 124
Dr NY Jekwa ⁽²⁾	-	-	-	-	-	-	-	247	-	247
J Sebulela	-	-	-	-	-	-	-	389	-	389
B Harie	-	-	-	-	-	-	-	557	-	557
MS Bomela ⁽²⁾	-	-	-	-	-	-	-	151	-	151
Dr KS Pather	-	-	-	-	-	-	-	452	-	452
SS Ntsaluba	-	-	-	-	-	-	-	455	-	455
Total non-executive	-	-	-	-	-	-	-	3 373	-	3 373
Total	37 745	785	63 225	2 110	2 766	5 800	2 857	3 373	-	118 660

(1) and (2) Refers to a date

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

^{^^} SDL & UIF legislative costs

⁽³⁾ All managing directors of the business units are considered key management

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 2021

33. Related parties (continued)

Key management compensation 2020

R'000	Basic Salary	Travel Allowance	Bonus and incentives	Long term incentives	Retirement/ medical benefits	Other benefits and costs ^^	Termination cost ^	Non executive Directors fees	Executive Directors other services	Total
Executive directors										
MJ Sardi	3 273	-	-	-	330	29	-	-	-	3 632
K Futter	3 466	-	1 018	-	96	42	-	-	-	4 622
Total executive	6 739	-	1 018	-	426	71	-	-	-	8 254
Key management ⁽³⁾	26 068	785	14 283	-	1 537	2 740	-	-	-	45 413
Total executive and key management	32 807	785	15 301	-	1 963	2 811	-	-	-	53 667
Non-executive directors										
AB Marshall	-	-	-	-	-	-	-	724	1 458	2 182
Dr NY Jekwa	-	-	-	-	-	-	-	395	300	695
J Sebulela	-	-	-	-	-	-	-	340	-	340
B Harie	-	-	-	-	-	-	-	510	-	510
MS Bomela	-	-	-	-	-	-	-	430	-	430
Dr KS Pather	-	-	-	-	-	-	-	475	-	475
SS Ntsaluba	-	-	-	-	-	-	-	85	-	85
Total non-executive	-	-	-	-	-	-	-	2 959	1 758	4 717
Total	32 807	785	15 301	-	1 963	2 811	-	2 959	1 758	58 384

(1) and (2) Refers to a date

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

^^ SDL & UIF legislative costs

⁽³⁾ All managing directors of the business units are considered key management

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 2021

33. Related parties (continued)

Summary of directors' appointments, resignations and retirements

(1)	Appointed
CJ Kujenga	01 December 2020

(2)	Appointed	Resigned
K Futter	12 November 2015	30 September 2020
M Bomela	10 November 2016	31 October 2020
Dr NY Jekwa	22 June 2018	11 March 2021

Directors' interest in shares

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

	Number of shares		
	Direct	Indirect	Total
K Futter ⁽¹⁾	296 286	-	296 286
MJ Sardi	25 597	-	25 597
B Harie	3 548	202 135	205 683
Dr KS Pather	180 933	20 000	200 933
Dr NY Jekwa ⁽²⁾	9 222	-	9 222
30 June 2021	515 586	222 135	737 721

	Number of shares		
	Direct	Indirect	Total
K Futter	296 286	-	296 286
MJ Sardi	25 597	-	25 597
B Harie	3 548	203 318	206 866
Dr KS Pather	180 933	20 000	200 933
Dr NY Jekwa	9 222	-	9 222
30 June 2020	515 586	223 318	738 904

The independent non-executive directors interests in the issued share capital of the company represent less than 0.2% (2020: 0.2%) of the total issued share capital of the company at 30 June 2021. The collective interests held by the directors do not constitute a material shareholding in the company. Accordingly, their continued participation as directors is deemed not to be impaired.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2021

33. Related parties (continued)

	2021 R'000	2020 R'000
Loans to directors of subsidiaries		
As at 1 July	4 169	3 882
Loan reclassified to external party during the year ⁽¹⁾	(4 169)	-
Interest charged	-	287
As at 30 June	-	4 169

	2021 R'000	2020 R'000
Loans to key management		
As at 1 July	1 027	4 579
Loan reclassified to external party during the year ⁽¹⁾	(1 027)	(3 965)
Interest charged	-	413
As at 30 June	-	1 027

⁽¹⁾ The loans reclassified to external parties consist of loans to previous Ascendis directors and key management staff who have since left the group.

	2021 R'000	2020 R'000
Transactions with related parties		
Farmalider (related party to Farmalider CEO)		
Sales force from Benel-Plus S.L.	419	481
Outsourced ITC to Dberenguer Servicios Integrales S.L.	745	842
Sale of dossiers to MMC International Health Holding S.L.U.	3 387	2 847
Interest on Loans received from MMC International Health Holding S.L.U.	148	-

	2021 R'000	2020 R'000
Balances with related parties - subsidiaries		
Farmalider (related party to Farmalider CEO)		
Sale of dossiers to MMC International Health Holding S.L.U.	214	-
Loans received from MMC International Health Holding S.L.U.	3 930	-
Outsourced ITC to Dberenguer Servicios Integrales S.L.	-	91

35. 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 various tax, legal and regulatory matters, the outcome of which may not be favourable. None of these matters are considered individually material.

36. Events after reporting period

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

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

Ascendis Pharma has conceded on certain merits of the case, and Reckitt in turn, conceded on the levels of undelivered stock that would have a diminishing impact on the quantum of an element to its original claim. The matter has been concluded and an amount of R18 million was paid in July 2021 as the full and final settlement.

Group Recapitalisation

On 27 August 2021, the group and its forbearance creditors (being Blantyre and L1 Health) signed a primary restructuring implementation deed (implementation deed) and is now bound by its terms and conditions. The implementation deed sets out the detailed steps that must be taken for the implementation of the group recapitalisation and the conditions to which the group recapitalisation is subject. The implementation deed supplements the restructuring support agreement (RSA), details of which are outlined under the going concern note. The group recapitalisation is a category one transaction and subject to a shareholder vote at the general meeting scheduled for 4 October 2021.

36. Events after reporting period (continued)

Group strategy post the group recapitalisation

Post the group recapitalisation, the group will comprise of the three South African businesses namely Medical Devices (excluding RCA), Pharma and Consumer Health ("New Ascendis Health" or "continuing operations"). The option of remaining a listed group, whilst still being reviewed, is challenged by the significantly reduced scale of New Ascendis Health, the costs associated with remaining listed and limited capital availability in relation to various growth opportunities in the remaining businesses. In light of this, the Board has engaged with the various interested parties in the remaining assets and is forming a perspective on the viability and value proposition of a sale of the remaining businesses in the group over the short-to-medium term, including the option of taking the remaining group private. At the time of approval of these financial statements, these engagements are, however, all at "initial, indicative" stage. Should the recapitalisation be successfully implemented, the group will continue engagements with interested parties and will make a final evaluation of the preferred option as soon as possible.

Farmalider disposal

The group disposed its 49% controlling interest in Farmalider. The effective date of the disposal transaction was 8 July. The business was sold for €5 million (R84 million).

Animal Health disposal

The group is disposing 100% of shares of entities within the Animal Health Segment. The SPA was signed in July 2021 and the transaction is expected to close by 31 October 2021.

Other

During the year the board was able to successfully resolve and settle previously reported matters related to a former employee of the company and shareholders. There are no residual matters in this regard.

Appendix A: Interests in subsidiaries

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

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

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

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

Farmalider has been accounted for as a discontinued operation at year end and has subsequently been disposed in July 2021.

The following companies have been disposed during the year:

- Ascendis Biosciences (East Africa) Ltd (Kenya)
- Ascendis Health Direct (Pty) Ltd
- Ascendis Health Direct Nigeria Limited
- Avima (Pty) Ltd
- Avima Uganda Limited
- Colossal Trade Kft (Hungary)
- Cytogen Sp Zoo (Poland)
- Dermogen Farma, S.A. (Spain)
- Dezzo Trading 392 (Pty) Ltd
- Heritage Resources Limited
- Innovative Pest Management (Pty) Ltd
- K2012021382 (South Africa) (Pty) Ltd
- Klub M5 (Pty) Ltd
- Nutribution Espana SLU (Spain)
- Ortus Chemicals (Pty) Ltd
- Scitec International S.a.r.l (LUX)
- Scitec Ipari és Kereskedelmi Kft (Hungary)
- Scitec Institute for Sport and Nutritional Science Ltd (Hungary)
- Scitec Nutrition UK Limited
- STC Nutrition Supplements
- Superwell-Hungary Kft
- Scitec USA Inc (USA)
- Small Pack Solutions-Specialists (Pty) Ltd
- Sportron International (Pty) Ltd (Namibia)
- Swissgarde (Pty) Ltd

The following companies have been deregistered during the year:

- Akacia Healthcare Investments (Pty) Ltd
- A-Med Medical Supplies (Pty) Ltd
- Ascendis Pharma-Med (Pty) Ltd
- Bio Swiss (Pty) Ltd
- Bolus International (Pty) Ltd

Appendix A: Interests in subsidiaries

- Efekto Care (Pty) Ltd
- Juniva (Pty) Ltd
- Kyron Animal Health (Pty) Ltd
- Nimue Skin (Southern Africa) (Pty) Ltd
- Sportron Properties (Pty) Ltd
- The Integrative Medical Centre (Pty) Ltd
- Toolworth Distribution (Pty) Ltd
- Umecom (Pty) Ltd

The following company's investment value has increased:

- Kyron Animal Health (Pty) Ltd *(There was an increase due to the reversal of the impairment processed in the previous year)*

Appendix A: Interests in subsidiaries

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

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
			R'000	R'000	R'000	R'000
	2021	2020	2021	2020	2021	2020
ANIMAL HEALTH						
Ascendis Animal Health (Pty) Ltd°	100%	100%	-	-	-	-
Ascendis Vet (Pty) Ltd	100%	100%	143 727	143 727	-	-
Kyron Animal Health (Pty) Ltd~	0%	100%	-	500	-	-
Kyron Laboratories (Pty) Ltd#	100%	100%	380 807	176 361	95 202	176 361
Kyron Prescriptions (Pty) Ltd°	100%	100%	-	-	-	-

Appendix A: Interests in subsidiaries (continued)

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
			R'000	R'000	R'000	R'000
	2021	2020	2021	2020	2021	2020
CONSUMER HEALTH						
Anti-Aging Technologies (Pty) Ltd°#	100%	100%	-	-	-	-
Ascendis Consumer Brands (Pty) Ltd°#	100%	100%	-	4	-	4
Ascendis Health Australia (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Health Direct (Pty) Ltd^	0%	100%	-	-	-	-
Ascendis Health Direct Nigeria Limited^	0%	100%	-	-	-	-
Ascendis Health UK Ltd	100%	100%	-	-	-	-
Ascendis Skin & Body (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Supply Chain (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Wellness S.R.L.	100%	100%	40 390	40 390	-	-
Bio Swiss (Pty) Ltd~	0%	100%	-	-	-	-
Bolus Distribution (Pty) Ltd	100%	100%	-	-	-	-
Bolus International (Pty) Ltd~	0%	100%	-	-	-	-
Chempure (Pty) Ltd°#	100%	100%	-	-	-	-
Colossal Trade Kft (Hungary)^	0%	100%	-	145	-	-
Cytogen Sp Zoo (Poland)^	0%	100%	17 197	17 197	-	-
Dealcor Forty (Pty) Ltd	100%	100%	-	-	-	-
Heritage Resources Ltd^	0%	100%	-	-	-	-
HRL Health Remedies Ltd (Cyprus)	100%	100%	146	146	-	-
Juniva (Pty) Ltd~	0%	100%	-	-	-	-
Kadent Ltd (Cyprus)	100%	100%	29	29	-	-
K2012021382 (South Africa) (Pty) Ltd^	0%	100%	-	-	-	-
K2012179211 (South Africa) (Pty) Ltd°#	100%	100%	-	-	-	-
K2013197766 (Pty) Ltd	100%	100%	3	3	3	3
K2013126193 (South Africa) (Pty) Ltd°#	100%	100%	-	-	-	-
Nimue Skin (Southern Africa) (Pty) Ltd~	0%	100%	-	-	-	-
Sun wave Pharma International Limited (Cyprus)	100%	100%	389 178	389 178	-	-
Scitec International S.a.r.l (LUX)^	0%	100%	-	-	-	-
Scitec Ipari és Kereskedelmi Kft (Hungary)^	0%	100%	-	1 332 754	-	-
Scitec Nutrition UK^	0%	100%	-	201	-	-
Scitec Institute for Sport and Nutritional Science Ltd (Hungary)^	0%	100%	-	718	-	-
Sportron Properties (Pty) Ltd~	0%	100%	-	-	-	-
Sportron International (Pty) Ltd (Namibia)^	0%	100%	-	-	-	-
STC Nutrition Supplements	0%	100%	-	35	-	-
Superwell-Hungary Kft^	0%	100%	-	136	-	-
Swissgarde (Pty) Ltd^	0%	100%	-	25 652	-	-

Appendix A: Interests in subsidiaries (continued)

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
			R'000	R'000	R'000	R'000
	2021	2020	2021	2020	2021	2020
CONSUMER HEALTH (continued)						
The Compounding Pharmacy of South Africa (Pty) Ltd	100%	100%	-	-	-	-
The Integrative Medical Centre (Pty) Ltd~	0%	100%	-	-	-	-
Toolworth Distribution (Pty) Ltd~	0%	100%	-	-	-	-
MEDICAL						
A-Med Medical Supplies (Pty) Ltd~	0%	49%	-	-	-	-
Ascendis Medical Supplies (Pty) Ltd (Namibia)	100%	100%	-	-	-	-
Ascendis Medical (Pty) Ltd (Zambia)	100%	100%	-	-	-	-
Ascendis Medical (Pty) Ltd°#	100%	100%	-	137 915	-	137 915
Lexshell 834 Investments (Pty) Ltd	100%	100%	24 000	24 000	-	-
Ortho-Xact (Pty) Ltd	100%	100%	69 935	69 935	-	-
Respiratory Care Africa (Pty) Ltd	100%	100%	153 095	153 095	-	-
Respiratory Care Africa (Botswana) (Pty) Ltd	60%	60%	-	-	-	-
Surgical Innovations (Pty) Ltd	100%	100%	-	-	-	-
The Scientific Group (Pty) Ltd	100%	100%	304 962	304 962	-	-
Umecom (Pty) Ltd~	0%	100%	-	-	-	-
HEAD OFFICE						
Ascendis Financial Services (Pty) Ltd°#	100%	100%	-	-	-	-
Ascendis Financial Services International S.a.r.l (Luxembourg)	100%	100%	-	-	-	-
Ascendis Financial Services Europe Limited (Cyprus)	100%	100%	-	-	-	-
Ascendis Health Europe Holdings Ltd	100%	0%	380	-	-	-
Ascendis Health International Holdings Ltd°	100%	100%	-	16	-	16
Ascendis Health SA Holdings (Pty) Ltd	100%	100%	285 605	-	285 605	-
Ascendis Management Services (Pty) Ltd°#	100%	100%	-	-	-	-
Ascendis Pharma-Med (Pty) Ltd~	0%	100%	-	-	-	-
Elixir Brands (Pty) Ltd°#	100%	100%	-	-	-	-
Ascendis Health Spain Holdings SL	100%	100%	44	44	-	-
PHARMA						
Ascendis Pharma Healthcare Holdings (Pty) Ltd	100%	100%	356 655	356 655	-	-
Akacia Healthcare Investments (Pty) Ltd~	0%	100%	-	-	-	-
Alliance Pharma (Pty) Ltd°	100%	100%	-	-	-	-
Ascendis Pharma (Pty) Ltd	100%	100%	-	-	-	-
Ascendis Pharma Holdings (Pty) Ltd°#	100%	100%	-	-	-	-
Biopharmaceutical Consulting (Pty) Ltd (South Africa)†	75%	75%	-	-	-	-
Brilata Ltd	100%	100%	13	13	-	-
Dealworth Ltd	100%	100%	32	32	-	-
Dentalcare Pharma Sl. (Spain)†	100%	100%	-	-	-	-
Dermogen Farma, S.A.(Spain)^	0%	100%	-	-	-	-
Dezzo Trading 392 (Pty) Ltd^	0%	100%	-	-	-	-
Enia Lipotech Sl. (Spain)†	74%	74%	-	-	-	-
Enol Pharmaceutical Research Sl.(Spain)†	100%	100%	-	-	-	-

Appendix A: Interests in subsidiaries (continued)

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
	2021	2020	R'000	R'000	R'000	R'000
			2021	2020	2021	2020
Farmalider İlaç Sanayi Ve Ticaret LTD.STİ.†	100%	100%	-	-	-	-
Farmalider, S.A. (Spain)†	49%	49%	214 275	214 275	-	-
Green High Tech†	44%	44%	-	-	-	-
Goldbond Trading and Investments Ltd	100%	100%	276	276	-	-
High Tech Vision Sl.(Spain)†	90%	90%	-	-	-	-
Innovazone Labs LLC (Spain) †	60%	60%	40	40	-	-
Medicine Developers International (Pty) Ltd°	100%	100%	-	-	-	-
Nutribution Espana SLU (Spain)^	0%	100%	-	-	-	-
Nutra Essential otc Sl. (Spain)†	79%	79%	3 161	3 161	-	-
Pernbrook Ltd	100%	100%	3 999 945	3 999 945	-	-

Appendix A: Interests in subsidiaries (continued)

	Ordinary shares held by the group (%)		Investment value for group (direct and indirect investments)		Investment value for Ascendis (direct investments)	
			R'000	R'000	R'000	R'000
	2021	2020	2021	2020	2021	2020
PHARMA (continued)						
Pharmachem Pharmaceuticals (Pty) Ltd°	100%	100%	-	100	-	-
Pharma Integral Analytical Services, S.L (Spain)†	33%	33%	-	-	-	-
Remedica Holdings Ltd	100%	100%	4 503 376	4 503 376	-	-
Remedica Ltd	100%	100%	411 737	411 737	-	-
Toll Manufacturing Services S.I (Spain)†	100%	100%	42	42	-	-
Vitalcare Pharma (Spain)†	100%	100%	1 578	1 578	-	-
BIOSCIENCES						
Ascendis Biosciences (Pty) Ltd°#	100%	100%	-	-	-	-
Ascendis Biosciences (East Africa) Ltd (Kenya)^	0%	100%	-	-	-	-
Avima (Pty) Ltd^	0%	100%	-	54 821	-	-
Avima Uganda Ltd^	0%	100%	-	4	-	-
Efekto Care (Pty) Ltd~	0%	100%	-	-	-	-
Innovative Pest Management (Pty) Ltd^	0%	100%	-	-	-	-
Klub M5 (Pty) Ltd^	0%	100%	-	110 420	-	-
Klipspringer Products (Pty) Ltd	100%	100%	-	-	-	-
Ortus Chemicals (Pty) Ltd^	0%	100%	-	22 414	-	-
Small Pack Solutions Specialists (Pty) Ltd^	0%	100%	-	-	-	-

*the investment value of these entities have been impaired in 2021

^entity disposed of during the year

~entity deregistered during the year

°nil due to rounding

#entity disposed by Ascendis Health to Ascendis Health SA Holdings

†entity has been sold subsequent to the reporting date

Appendix B: Shareholders' information

	30 June 2021		30 June 2020	
	Number of shares	Percentage of shares	Number of shares	Percentage of shares
Spread of ordinary shareholders				
Public shareholders	419 069 606	85.6%	415 089 324	84.8%
Non-public shareholders				
- Directors and associates of the company	737 721	0.2%	738 904	0.2%
- Treasury shares (own holdings)	7 975 969	1.6%	11 955 068	2.4%
- Strategic holdings (more than 10%)	61 686 663	12.6%	61 686 663	12.6%
Total	489 469 959	100.0%	489 469 959	100.0%

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 2% or more of the issued share capital at 30 June 2021:

	30 June 2021		30 June 2020	
	Number of shares	Percentage of shares	Number of shares	Percentage of shares
Major beneficial shareholders holding 2% or more				
International Finance Corporation	61 686 663	12.6%	61 686 663	12.6%
Kefolile Health Investments (Pty) Ltd	33 414 481	6.8%	33 414 331	6.8%
Coast2Coast Capital (Pty) Ltd	23 945 813	4.9%	23 945 813	4.9%
Mr Charalambos Pattihis ⁽¹⁾	23 766 421	4.9%	23 766 421	4.9%
WDB Investments Holdings (Pty) Ltd	-	-	27 228 305	5.6%
Mineworkers Investment Company	-	-	25 874 633	5.3%
Government Employees Pension Fund	-	-	41 404 331	8.5%

⁽¹⁾ Formerly represented as Coutts & Co

	30 June 2021		30 June 2020	
	Number of shares	Percentage of shares	Number of shares	Percentage of shares
Major fund managers managing 2% or more				
Old Mutual Investment Group	15 123 571	3.1%	16 940 113	3.5%
Laurium Capital	12 256 648	2.5%	16 917 113	3.5%

	30 June 2021		30 June 2020	
	Number of shares	Percentage of shares	Number of shares	Percentage of shares
Major fund managers no longer managing over 2%				
Mergence Investment Managers	-	-	39 326 335	8.0%
Public Investment Corporation	-	-	21 974 839	4.5%

30 June 2021	30 June 2021		30 June 2020	
	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
Distribution of registered shareholdings				
1 - 1 000	9 078	65.1%	1 669 020	0.3%
1 001 - 10 000	3 007	21.6%	11 334 250	2.3%
10 001 - 100 000	1 388	10.0%	49 594 497	10.1%
100 001 - 1 000 000	399	2.9%	120 582 200	24.6%
1 000 001 shares and over	65	0.5%	306 289 992	62.6%
	13 937	100.0%	489 469 959	100.0%

Country of Incorporation and domicile	South Africa
Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
ISIN	ZAE000185005
Registered office	31 Georgian Crescent East Bryanston Gauteng 2191
Postal address	PostNet Suite #252 Private Bag X21 Bryanston 2021
Contact details	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
JSE sponsor	Questco Corporate Advisory (Pty) Ltd
Auditors	PricewaterhouseCoopers Inc.
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 Private Bag X9000, Saxonwold, 2132 Telephone: +27 (0)11 370 5000
Company secretary	TM Nkuna (B Com, LLB) mpeo.nkuna@ascendishealth.com
Directors	AB Marshall (Chairman)* B Harie# Dr KS Pather* J Sebulela* SS Ntsaluba* MJ Sardi (CEO) CJ Kujenga (CFO) * Independent non-executive # Lead independent non-executive



ASCENDIS HEALTH

31 Georgian Crescent East,
Bryanston,
Gauteng,
2191

Phone
+27 (0)11 036 9600

Email
info@ascendishealth.com

Website
www.ascendishealth.com