Ascendis Health Europe Business Units
Reviewed Condensed Interim Results
for the period ended 31 December 2020

Index

The reports and statements set out below comprise the reviewed condensed interim results presented to the shareholder:

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Ascendis Health Europe Business Units

Reviewed Condensed Interim Results for the period ended 31 December 2020

Condensed Statement of Financial Position as at 31 December 2020

	Notes	31 December 2020 R '000
Assets		
Non-Current Assets		
Property, plant and equipment		815 222
Right-of-use assets		51 351
Intangible assets and goodwill	3	4 058 072
Other financial assets		11 926
		4 936 571
Current Assets		
Inventories	5	585 303
Loans to related parties	6	375 919
Trade and other receivables	7	1 433 752
Derivative financial instruments		403
Cash and cash equivalents		103 040
		2 498 417
Total Assets		**7 434 988**
Equity and Liabilities		
Equity		
Equity Attributable to Equity Holders of Parent		
Share capital		18
Reserves		(8 206 197)
Retained earnings		5 271 692
		(2 934 487)
Non-controlling interest		(1 422)
		(2 935 909)
Liabilities		
Non-Current Liabilities		
Lease liabilities		39 590
Deferred tax	4	155 938
		195 528
Current Liabilities		
Trade and other payables	11	547 394
Loans from related parties	8	4 010 632
Borrowings	9	4 435 623
Derivative financial instruments		605
Lease liabilities		12 455
Current tax payable	16	9 645
Financial guarantee liability	12	309 545
Deferred vendor liabilities	10	801 988
Bank overdraft		47 482
		10 175 369
Total Liabilities		**10 370 897**
Total Equity and Liabilities		**7 434 988**

Ascendis Health Europe Business Units

Reviewed Condensed Interim Results for the period ended 31 December 2020

Condensed Statement of Profit or Loss and Other Comprehensive Income

	Notes	6 months ended 31 December 2020 R '000
Revenue	13	1 812 551
Cost of sales		(873 075)
Gross profit		**939 476**
Other income	2	4 946 658
Selling and distribution costs	2	(261 160)
Administrative expenses	2	(164 594)
Reversal of impairment losses on financial assets	2	345 708
Other operating expenses	2	(95 472)
Operating profit		**5 710 616**
Finance income		11 620
Finance costs		(304 682)
Profit before taxation		**5 417 554**
Taxation	14	(18 297)
Profit for the period		**5 399 257**
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations		(453 528)
Other comprehensive income for the period net of taxation		**(453 528)**
Total comprehensive profit for the period		**4 945 729**
Profit attributable to:		
Owners of the parent		5 401 988
Non-controlling interest		(2 731)
		5 399 257
Total comprehensive loss attributable to:		
Owners of the parent		4 944 097
Non-controlling interest		1 632
		4 945 729

Ascendis Health Europe Business Units

Reviewed Condensed Interim Results for the period ended 31 December 2020

Condensed Statement of Changes in Equity

	Foreign currency translation reserve R '000	Revaluation reserve R '000	Put option non-controlling interest reserve R '000	Common control reserve* R '000	Total reserves R '000	Retained earnings R '000	Total attributable to equity holders of the group / company R '000	Non-controlling interest R '000	Total equity R '000
Balance at 01 July 2020	**(26 053)**	**14 877**	**-**	**1 546 549**	**1 535 373**	**(130 296)**	**1 405 095**	**(3 054)**	**1 402 041**
Profit for the period	-	-	-	-	-	5 401 988	5 401 988	(2 731)	5 399 257
Other comprehensive income	(453 528)	-	-	-	(453 528)	-	(453 528)	4 363	(449 165)
Total comprehensive income for the period	**(453 528)**	**-**	**-**	**-**	**(453 528)**	**5 401 988**	**4 948 460**	**1 632**	**4 950 092**
Foreign currency translation differences^	-	(1 133)	-	525 909	524 776	-	524 776	-	524 776
Contribution from parent	-	-	-	(9 812 817)	(9 812 817)	-	(9 812 817)	-	(9 812 817)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(1 133)**	**-**	**(9 286 909)**	**(9 288 042)**	**-**	**(9 288 042)**	**-**	**(9 288 042)**
Balance at 31 December 2020	**(479 581)**	**13 744**	**-**	**(7 740 360)**	**(8 206 197)**	**5 271 692**	**(2 934 487)**	**(1 422)**	**(2 935 909)**

* Common control reserve relates to all equity adjustments relating to the restructuring of the group in order to exclude the items that have been carved out.

^The amounts relates to the foreign exchange differences recognised on the reserves as a result of translating the balances from the functional currency (Euro) to the presentation currency (ZAR).

Ascendis Health Europe Business Units

Reviewed Condensed Interim Results for the period ended 31 December 2020

Condensed Statement of Cash Flows

	Notes	6 months ended 31 December 2020 R '000
Cash flows from operating activities		
Cash generated from operations	15	5 246 069
Interest received		331
Interest paid		(34 562)
Tax paid	16	(21 277)
Net cash from operating activities		**5 190 561**
Cash flows from investing activities		
Purchase of property, plant and equipment	2	(99 948)
Proceeds on sale of property, plant and equipment		246
Purchase of intangible assets	3	(37 784)
Payments received for loans advanced to related parties		142 941
Proceeds on sale of financial assets		2 284
Repayments of deferred vendor liabilities		(154 791)
Net cash utilised in investing activities		**(147 052)**
Cash flows from financing activities		
Repayment of loans from related parties		(4 984 162)
Proceeds from borrowings		96 213
Repayment of borrowings		(137 796)
Payment of lease liabilities		(6 440)
Net cash utilised in financing activities		**(5 032 185)**
Total cash and cash equivalents movement for the period		**11 324**
Cash and cash equivalents at the beginning of the period		44 200
Effects of foreign exchange differences on cash and cash equivalents		34
Total cash and cash equivalents at end of the period		**55 558**

Accounting Policies

1. Significant accounting policies

1.1 Basis of preparation

Description of business

Ascendis Health Limited ("Ascendis"), working with its transaction advisor (Rothchild), negotiated with its lender consortium a proposed structure in which the Group's debt of circa R 6.9 billion is to be converted to equity. The Ascendis Board and lender consortium has agreed on the terms and structure of the Group recapitalisation ("Group recap") and have signed a Restructuring Support Agreement ("RSA") that outlines the details.

The key terms of the RSA are as follows:

- Participating Senior Lenders will exchange the Group's outstanding debt, that is expected to be approximately €447 million at the estimated closing date of the Proposed Transaction, for:
  - 100% of the shares in Remedica and Sun Wave
  - the 49% shareholding in Farmalider (Ascendis will have the opportunity to share in any upside if the group's share in Farmalider is sold for more than €5 million);
  - the net proceeds from the sale of Animal Health, Biosciences and Respiratory Care Africa ("RCA"). Lenders will receive
    R 1 069 million from the disposal of RCA, Animal Health and Biosciences. Because the cash flowing from these disposals will not coincide with the closure of the Group recap, a Facility A amounting to the R 1 069 million will be put in place.

- Ascendis will also be provided, by the Participating Senior Lenders, with the following new facilities:
  - Access to a new draw down facility in the amount of the ZAR-equivalent of €20 million to fund future working capital requirements
  - A two-year Term Loan in the amount of the ZAR-equivalent of € 15 million, to settle outstanding and unpaid interest at closing and transaction costs

- Ascendis will retain all the businesses within the Medical Devices division (excluding RCA), Consumer Health SA and Pharma SA divisions, as well as 50% upside participation on the anticipated future sale of Farmalider.

However, subsequent to the announcement of the RSA terms, the majority shareholder of Farmalider has entered into negotiations with the Ascendis Board and lenders and will acquire the 49% share held by Ascendis in Farmalider in June 2021 before the issue of the shareholder circular for the Group Recap. Farmalider will therefore not form part of the Group Recap transaction.

This Group Recap will be achieved through the sale of the 99.92% shareholding of Ascendis Health Europe Holdings (Luxembourg) in Ascendis Health International Holdings Proprietary Limited ("AHIH"), resulting in AHIH and all its subsidiaries being acquired by the lenders, except for the disposal of Farmalider before implementation of the Group Recap.

The new facilities mentioned above will not form part of the HFIs, but will be included in the pro-forma effects of the Group Recap of Ascendis.

The group's European operations were historically conducted through the separate legal entities and disclosed as segments (Remedica & Sun Wave) in the Ascendis Group financial statements; the combination of these European operations is referred to as Ascendis Europe.

Although the entities comprising Ascendis Europe had a single holding company (AHIH), not all entities that historically formed part of the AHIH sub-group are part of the subject of the proposed disposal to the lenders in terms of the Group recap. Scitec was disposed of in July 2020 and has not been included in Ascendis Europe. The entities that form Ascendis Europe for the purposes of the combined carve-out historical financial information historically did not exist as a reporting group and no separate consolidated financial statements were prepared for Ascendis Europe.

For the purpose of presenting the historical carve-out performance of Ascendis Europe for the proposed Group recap, combined carve-out historical financial information has been prepared.

Accounting Policies

1.1 Basis of preparation (continued)

International Financial Reporting Standards ("IFRS") compliance

The combined carve-out historical financial information for the six months ended 31 December 2020 are prepared in accordance with the requirements of the JSE Limited Listing Requirements and the requirements of the Companies Act of South Africa, No. 71 of 2008. The JSE Limited Listing Requirements require interim financial statements to be prepared in accordance and containing the information required by IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

The financial statements for the period ended 31 December 2020 are prepared for the sole purpose of the JSE listing requirements, announcements and circulars. For this specific announcement, the JSE listing requirements do not require comparative information.

These interim financial statements have been prepared using the same accounting policies as those in the historical financial information for the years ended 30 June 2020, 30 June 2019, and 30 June 2018.

Basis of preparation

The combined carve-out historical financial information of Ascendis Europe was derived from the consolidated condensed financial statements of Ascendis for the six months ended 31 December 2020 which were prepared in accordance with IFRS. The combined carve-out historical financial information has been prepared for the purpose of presenting the financial position, results of operations, and cash flows of Ascendis Europe on a stand-alone basis.

As IFRS does not provide specific guidance for the preparation of combined carve-out historical financial information, principles outlined in IAS 8 were used in the preparation of the combined carve-out historical financial information for inclusion in circulars. IAS 8 requires consideration of the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and recognised industry practices. The combined carve-out historical financial information has consequently been prepared as a combination of the historical financial information recognised in the Ascendis consolidated financial statements related to Ascendis Europe (i.e. predecessor accounting). The assets of Ascendis Europe recognised in the combined carve-out historical financial information include goodwill and intangible assets recognised in the Ascendis consolidated financial statements that relate to Ascendis Europe.

The accounting policies utilised in the combined carve-out historical financial information are consistent with those applied by Ascendis in its consolidated financial statements. The combined carve-out historical financial information is:

- Presented in South African Rand (ZAR), rounded to the nearest thousand.
- Prepared using the historic cost convention except for certain financial instruments including derivative instruments, which are stated at fair value.
- Prepared on the going concern basis. As at 31 December 2020 the current liabilities exceed the current assets due to the recognition of a financial guarantee liability in respect of the Ascendis group's senior debt and payables to Ascendis group companies. Ascendis Europe will be released from its intercompany payables and financial guarantee obligation related to Ascendis group's senior debt on disposal from Ascendis which will restore Ascendis Europe to a solvent position with current assets exceeding current liabilities. Management therefore has a reasonable expectation that Ascendis Europe's operations have adequate resources to continue in operational existence for the foreseeable future.

The following principles and assumptions have been applied in the preparation of the combined carve-out historical financial information:

- Earnings per share – The information on earnings per share for Ascendis Europe pursuant to IAS 33 has not been presented, as no capital structure has been presented in the combined carve-out historical financial information.
- Contribution from parent - As a result of applying predecessor accounting, the contribution from Ascendis is recognised at the carrying value of the net assets contributed to Ascendis Europe at the earliest comparative period presented. This contribution represents the aggregated combined share capital and retained earnings of the entities included in the combined carve-out historical financial information of Ascendis Europe at the earliest comparative period presented. The opening balance and movements in aggregated combined share capital and retained earnings of the entities included in the combined carve-out historical financial information of Ascendis Europe has been described as 'Contribution from parent' in the combined carve-out statement of changes in equity of Ascendis Europe.

Accounting Policies

1.1 Basis of preparation (continued)

Goodwill and intangible assets:

Goodwill and intangible assets that arose on the acquisition of the entities comprising Ascendis Europe by the Ascendis group, such as customer relationships, contracts and drug master files, have been recognised in the combined carve-out historical financial information. During the rep orting periods presented, goodwill was tested for impairment at an individual company level, being the cash-generating units used at that time by Ascendis to monitor goodwill. This was determined to also be the appropriate level for testing of goodwill impairment for Ascendis Europe.

Allocation of central costs:

Management and similar functions for the European operations of Ascendis group were primarily performed at an AHIH level (a subsidiary of Ascendis); these functions include payroll, accounting, executive management, legal, insurance, IT, company secretarial and other administrative functions. AHIH is part of Ascendis Europe and as such, no additional central costs were required to be allocated to Ascendis Europe.

Taxation:

The entities that comprise Ascendis Europe have historically filed separate tax returns in the countries where these legal entities are tax resident. All entities will continue to file separate tax returns. The income taxes have been accounted for using the separate tax return method by aggregating the tax positions of the individual entities of Ascendis Europe. Deferred tax has been re-assessed and any resultant deferred tax asset/liability has been recognised. The additional deferred tax is related to the amounts that have been carved out in relation to Scitec and the expected credit losses on intercompany loans receivables.

Intercompany:

Transactions and balances with the Ascendis group of companies have been disclosed as related party transactions and balances in the combined carve-out historical financial information. All intergroup transactions and balances between the entities comprising Ascendis Europe are eliminated.

Directors' remuneration has been excluded due to Ascendis Europe not constituting a combined legal group for the historical reporting periods and not having a separate board of directors.

Interest:

The interest charge reflected in the combined carve-out historical financial information is based on the interest charge historically incurred by the entities within Ascendis Europe on specific external borrowings or financing provided by the Ascendis group companies.

Financial guarantee liability:

A financial guarantee liability ("FGL") has been recognised in terms of IFRS 9 due to the reporting entity acting as guarantor of the Ascendis Group's Senior Facilities Agreement (SFA). This financial guarantee will be cancelled upon the disposal of Ascendis Europe from Ascendis. The FGL will be included in the carve-out historical financial information, but removed from the pro-forma financial information.

Limitations inherent to carve-out

As the combined carve-out historical financial information of Ascendis Europe has been prepared on a combined carve-out basis (i.e. did not comprise a single reporting entity historically), this combined carve-out historical financial information may not be indicative of Ascendis Europe's future performance and what its combined results of operations, financial position and cash flows would have been, had Ascendis Europe operated as a separate reporting entity for the periods presented.

Subsequent events

The combined carve-out historical financial information of Ascendis Europe was authorised for issue by the board of directors of Ascendis on_______________2021. Subsequent events have been considered from 31 December 2020 up to the date that the combined historical financial information was authorised for issuance. Refer to note 21.

Accounting Policies

1.2 Principal accounting policies

The principal accounting policies applied in the preparation of the condensed interim statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous annual financial statements for the year ended 30 June 2020.

1.3 Significant estimates and accounting judgements

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

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to have the actual results materially different from estimates. Detailed information about each of these estimates and judgements is included in the notes to the historical financial statements for the years ended 30 June 2020, 30 June 2019, and 30 June 2018.

Significant estimates and judgements were made on the following items:

Key estimates
- Estimation of inventory obsolescence allowance.
- Estimation of the expected credit loss allowance.
- Future forecasts - assessing going concern and the impact of Covid-19.
- Impairment testing and allocation of cash-generating units.
- The useful lives and residual values of property, plant and equipment and intangible assets.
- Leases incremental borrowing rate.
- Leases renewal and termination options.
- The useful lives of right-of-use assets associated to leased assets.
- Recoverability of deferred tax assets.

Accounting judgements
- Revenue recognition.
- Lease and non-lease components.

Seasonality

The seasonality of the operations had no significant impact on the condensed reviewed interim results.

Notes to the Reviewed Condensed Interim Results

2. Explanatory notes on other significant movements

To the extent that there is no note included to explain the significant movement, the financial position and performance of the group was particularly affected by the following:

Other income

There is a significant increase in other income which was contributed mainly by dividends receivable from Scitec before it was disposed. The dividend amounted to R 4 730 million.

Finance cost

Finance costs increased significantly due to the increase in the interest on the debt facilities. The finance costs recognised for the period under review amounted to R269 million. The debt facilities were previously accounted in Scitec which was disposed and the debt was transferred to this group. Refer to note 9 for further details regarding the debt facilities.

Additions to property, plant and equipment

The group recognised additions in property, plant and equipment of R99.9 million which is mainly contributed by the purchases made by Remedica for plant and machinery.

Credit risk on cash and cash equivalents

The group considers its cash and cash equivalents to have a low credit risk based on the external credit risk of the counterparties.

Revenue

Revenue is increased by 18% which was mainly driven by Remedica. Remedica posted strong revenue growth across each of its agency, NGO, out-licensing and home market channels. Sun Wave Pharma overcame the negative impact of COVID-19 and continued to capitalise on its market heading position in nutraceuticals and OTC products resulting in an increase in revenue for the six months reported.

Cost of sales

Cost of sales have increased in line with the increase in revenue above.

Selling and distribution costs

Selling and distribution costs have increased because revenue has also increased.

Administrative expenses

The increase in administrative has been contributed mainly by the increase in payroll related expenses which have increased by 34%.

Other operating expenses

Other operating expenses have increased mainly due to the increase in depreciation which is in line with the additions to property, plant and equipment of R 99.9 million.

Inventory

The reduction in inventory has been contributed mainly by the increase in sales which has reduced the stock levels.

Trade and other payables

A number of creditors have been paid in the last six months which has resulted in a decrease in trade and other payables from the balances recorded in June 2020.

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000

3. Intangible assets and goodwill

	2020		
	Cost R '000	**Accumulated amortisation R '000**	**Carrying value R '000**
Drug master files	1 173 580	(173 128)	1 000 452
Brand names and trademarks	876 076	(156 964)	719 112
Customer relationships	575 323	(88 379)	486 944
Goodwill	1 851 564	-	1 851 564
Total	**4 476 543**	**(418 471)**	**4 058 072**

Notes to the Reviewed Condensed Interim Results

3. Intangible assets and goodwill (continued)

Reconciliation of intangible assets and goodwill - 2020

	Opening balance	Additions	Foreign exchange movements	Amortisation	Impairment loss	Closing balance
	R '000	R '000	R '000	R '000	R '000	R '000
Drug master files	1 084 280	37 784	(82 210)	(19 615)	(19 787)	1 000 452
Brand names and trademarks	802 116	-	(59 639)	(23 365)	-	719 112
Customer relationships	537 476	-	(40 302)	(10 230)	-	486 944
Goodwill	2 036 850	-	(185 286)	-	-	1 851 564
	4 460 722	**37 784**	**(367 437)**	**(53 210)**	**(19 787)**	**4 058 072**

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000
4. Deferred tax	
Deferred tax assets	
Loss allowance (ECL)	14 200
Deferred tax liability	
Property, plant and equipment	(40 990)
Intangible assets	(128 610)
Other	(538)
Total deferred tax liability	**(170 138)**

To the extent that the deferred tax asset and deferred tax liability relate to income tax in the same jurisdiction, the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax asset	14 200
Deferred tax liability	(170 138)
Total net deferred tax liability	**(155 938)**
Reconciliation of net deferred tax liability	
Carrying value at the beginning of the year	(175 526)
Foreign exchange differences	14 318
Property, plant and equipment	(236)
Intangible assets	2 226
Expected credit loss on financial assets	3 280
At end of year	**(155 938)**
5. Inventories	
Raw materials, components	320 171
Finished goods	120 846
Work-in-progress	126 798
Goods in transit	17 488
Total inventories net of provision for impairment	**585 303**

There are no inventory write downs during the period under review.

No inventories are carried at fair value less costs to sell at period end.

No reversals of previous inventory write down's occurred during the period.

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000

6. Loans to related parties

Counterparty	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Ascendis Financial Services	382 217	(94 064)	288 153
Ascendis Spain Holdings	116 089	(29 347)	86 742
Ascendis Health SA Holdings	332	-	332
Shareholders	43	-	43
Directors	649	-	649
	499 330	**(123 411)**	**375 919**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for loans to related parties:

Opening balance	(481 163)
Unused amounts reversed	357 752
Closing balance	**(123 411)**

The loans have reduced significantly from the amounts recorded at 30 June 2020 because the balance owed by Scitec was settled as a result of the disposal of Scitec on 31 July 2020 by Ascendis group. This had a direct impact to the ECL allowance as at 31 December 2020.

7. Trade and other receivables

Financial instruments:	
Trade receivables	1 402 503
Trade receivables - related parties	12 261
Loss allowance	(61 348)
Trade receivables at amortised cost	1 353 416
Deposits	720
Accrued income	5 355
Dividends receivable	19 681
Other receivables	4 590
Non-financial instruments:	
Value added taxation	34 507
Prepayments	15 483
Total trade and other receivables	**1 433 752**

Trade and other receivables have reduced from 2020 financial year by R 155 million which was mainly contributed by the Zar/Euro exchange rates. The cash flow on trade and other receivables for the period is only R 45.9million

8. Loans from related parties

Counterparty	
Ascendis Health Limited	3 811 118
Ascendis Financial Services	199 514
	4 010 632

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000

8. Loans from related parties (continued)

The loans are unsecured, interest free and have no repayment terms.

The loans have reduced significantly from the amounts recorded at 30 June 2020 because the balance owed to Scitec was settled as a result of the disposal of Scitec on 31 July 2020 by Ascendis group and the reduction of the loan from Ascendis Health was as a result of repayment during the period under review.

9. Borrowings

Euro denominated term loans	3 360 270
Euro denominated RCF	931 821
Total senior debt	**4 292 091**
Other borrowings	
Cyprus Loan	140 156
Other European financial facilities	3 376
Total other debt	**143 532**
Total borrowings and other financial liabilities	**4 435 623**

The split between current and non-current borrowings and other financial liabilities	
Non-current liabilities	-
Current liabilities	4 435 623
	4 435 623

Senior Facilities Arrangement Borrowings

Ascendis group's EURO term facilities used to be recorded in Scitec's books. On 31 July 2020, Scitec was disposed and the term facilities were transferred to Ascendis Financial Services Europe which is part of the Ascendis Health Europe group.

The Euro term facilities are recognised in terms of the revised Senior Facilities Arrangements ("SFA") which extended the repayment obligation to 31 December 2021.

The group has the following Euro term facilities amounting to €187 million (R3 360 million) as follows:

- Facility A, with an outstanding balance of €178 million (R3 194 million) which consist of €159 million (R 2 853 million) capital and €18 million (R 341 million) capitalised interest;
- Facility D, with an outstanding balance of €5 million (R94 million) which consist of €5 million (R 90 million) capital and €0.2 million (R 4 million); capitalised interest;
- Facility E1, with an outstanding balance of €4 million (R72 million) which consist of €4 million (R 71 million) capital and €0.05 million (R million) capitalised interest.

In addition to the facilities above, the group has a revolving credit facility with an outstanding balance of €52 million (R932 million) which consist of €46 million (R 824 million) capital and €6 million (R 108 million) capitalised interest. The revolving credit facility was fully drawn down as at 31 December 2020. The facilities are repayable by a single bullet payment on 31 December 2021.

Interest on Facility A and revolving credit facility is charged at Euribor plus 14% (4% margin and 10% PIK) and interest on Facility D and E1 is charged at Euribor plus 10% (5% margin + 5% PIK). The cash interest is repayable quarterly, while the PIK component is capitalised quarterly and payable on 31 December 2021. The PIK margin was increased by 2.5% effective from 31 January 2021 as result of a PIK strike i.e. increase on the PIK interest as a result of the interest forbearance agreement.

Other facilities

In addition to the syndicated facilities outlined above, the group also has the following borrowings as at 31 December 2020:

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000

9. Borrowings (continued)

Euro denominated loan of €8 million (R140 million) (30 June 2020: €8 million (R160 million)) with the Bank of Cyprus that matures on 30 June 2022. Interest is charged at 3.55% per annum, capital and interest is settled on a quarterly basis.

10. Deferred vendor liabilities

	6 months ended 31 December 2020 R '000
Split between non-current and current portions	
Current liability	801 988
Remedica Group	753 144
Sun Wave Pharma Group	48 844
	801 988
Deferred consideration	753 144
Contingent consideration	48 844
	801 988

The group acquired the Remedica Group in August 2016. The initial deferred consideration of €90 million which was payable in August 2019 was amended in 2017 following negotiations with the previous owners. The renegotiated terms stipulated the total deferred consideration to be €86 million, of which €46 million became payable in August 2017 and the remaining €40 million to be settled in August 2019, however the final amount has not been paid. Late penalty interest of €0.7 million has been incurred for the year to date 31 December 2020.

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

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

- €5 million in July 2018 if the EBITDA exceeded €6.5 million. The amount was paid in July 2018.
- €8 million in August 2019 if EBITDA equals or exceeded €7 million for the period. The amount was paid in March 2020.
- €6 million in August 2020 if EBITDA equals or exceeded €7.5 million for the period. The targeted EBITDA was met.
- An additional payment of €4 million is payable if the average annual EBITDA over the above mentioned three periods exceed €8 million per annum. The targeted EBITDA was met and this amount was due to be paid in August 2020.
- The deferred vendor liability for the year to date 31 December 2020 has been paid down by €8 million and has been settled in full subsequent to period end.
- The outstanding contingent consideration was originally subordinated to the group's senior debt, as stipulated as part of the sales and purchase agreement of the Sun Wave Pharma Group and approval was obtained in order to make the aforementioned settlements of the balance. The debt has a maturity of 31 December 2021 and therefore in light of the subordination, the associated liability has been classified as current. The subordination in place is subject to the sale of the associated Sun Wave Pharma Group or its assets and therefore, its sale in accordance with the disposal milestones of the refinance agreement would result in the subordination falling away. The recipients of the contingent consideration, in accordance with the sales and purchase agreement, have been presented with the option to subscribe to shares in the Sun Wave business, however they opted for settlement of the consideration in cash.

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000
11. Trade and other payables	
Financial instruments:	
Trade payables	404 495
Accrued liabilities	41 218
Other provisions	1 348
Other payables	22 907
Non-financial instruments:	
Leave pay accrual	14 078
Operating lease payables (if immaterial)	10 885
Accrued payroll liabilities	48 187
Value added taxation	4 276
	547 394

12. Financial guarantee liability

In terms of IFRS 9, the group is required to recognise financial guarantee contracts where the company is a guarantor. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument.

Financial guarantee contracts issued by the group are initially measured at their fair value and are subsequently measured at the higher of:

- The expected credit loss (ECL) in accordance with IFRS 9; or
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IFRS 15.

The ECLs are a probability weighted estimate of credit losses (the cash shortfalls) over the expected life of the guarantee. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the company expects to receive from the holder, debtor or any other party.

The following formula was used to determine the ECL: Exposure at Default x Probability of Default (PD) and Loss Given Default (LGD). The PD has been determined using Moody's CreditEdge model. The model is an adapted Merton type model which takes market data into account. An implied rating of Caa3 which was measured by CreditEdge was used. LGD was measured LGD using Moody's RiskCalc LGD module assuming a default with a post default recovery methodology.

For the six month period ended 31 December 2020, the financial performance of the Ascendis Group improved significantly as compared to 30 June 2020. This along with the progress made in relation to the Group's divestment programme has resulted in a reversal of a portion of the ECL balance recognised as at 30 June 2020.

The company along with other subsidiaries has jointly and severally guaranteed the Ascendis group borrowing facilitiesrecorded in Ascendis Financial Services Proprietary Limited, Ascendis Health International Holdings Limited, Scitec kft, Remedica Limited and Ascendis Financial Services International SARL. Under the terms of the guarantee, the company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due. Refer to note 3 of the group financial statements for further details with regards to the borrowing facilities with face values disclosed below:

Face Value	
Term loan - European debt	3 402 133
Term loan - South African debt	1 534 832
Revolving credit facility	1 373 676
	6 310 641

The group's financial liability relating to financial guarantee contracts amounts to:

Financial guarantee liability	309 545

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000
12. Financial guarantee liability (continued)	
Financial guarantee movement:	
Opening balance	517 024
Reversal of ECL on financial guarantee liability	(207 479)
Closing balance	**309 545**
13. Revenue	
Revenue from contracts with customers	
Sale of goods -wholesale (in-country)	793 495
Sale of goods -wholesale (export)	1 003 949
Sale of drug master files - local sales	15 107
	1 812 551
Timing of revenue recognition	
Point in time	1 812 551
Disaggregation of revenue from customers	
Revenue by destination	
Romania	533 269
Cyprus	188 808
Rest of Asia	147 592
Rest of Africa	122 990
Rest of Europe	120 260
France	97 134
Denmark	82 489
Switzerland	51 283
Yemen	50 951
Ethiopia	50 266
Vietnam	43 559
Thailand	38 251
Slovenia	35 547
Germany	33 192
Oman	26 337
Netherlands	26 183
America	26 040
Iraq	25 250
Democratic Republic of Congo	22 458
Libya	21 877
Botswana	20 632
Other	16 982
New Zealand	14 264
United Kingdom	11 823
Australia	5 114
	1 812 551

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000

14. Taxation

Major components of the tax expense

Current	
Local income tax - current period	21 270
Local income tax - recognised in current tax for prior periods	2 297
	23 567
Deferred	
Originating and reversing temporary differences	(5 270)
	18 297

Reconciliation of the tax income

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %
Dividends received	(24.45)%
Other exempt income	0.03 %
Non-deductible donations	0.14 %
Amortisation and impairment	0.38 %
Intercompany ECL	1.79 %
Expected credit loss allowance on financial guarantee liability	(1.07)%
Under provision - previous years	0.02 %
Difference in foreign tax rates	(0.53)%
Foreign exchange adjustments	(0.04)%
Increase in current year assessable loss	(3.52)%
Foreign adjustments to tax base	(0.60)%
Once-off costs - non deductible	0.19 %
	0.34 %

15. Cash utilised in operations

Profit before taxation	5 417 554
Adjustments for:	
Depreciation and amortisation	95 514
Loss on sale of property, plant and equipment	102
Impairment of intangible assets	18 547
Finance costs	304 682
Finance income	(11 620)
Reversal of ECL on financial guarantee liability	(207 479)
Provisions	99
Expected credit losses on loans receivables	(357 752)
Changes in working capital:	
Inventories	54 091
Trade and other receivables	(1 458)
Trade and other payables	(66 211)
	5 246 069

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000
16. Tax	
Balance at beginning of the period	(8 236)
Current tax for the period recognised in profit or loss	(23 567)
Exchange differences	881
Balance at end of the period	9 645
Tax paid	**(21 277)**

17. Related parties

Relationships

Ultimate holding company	Ascendis Health Limited
Holding company	Ascendis Health International Holdings (Malta)
Fellow subsidiaries	Ascendis Financial Services Limited Ascendis Spain Holdings Limited Ascendis SA Holdings Ascendis Management Services Proprietary Limited

Related party balances

	6 months ended 31 December 2020 R '000
Loans to related parties	
Ascendis Financial Services Limited	382 217
Ascendis Spain Holdings Limited	116 089
Ascendis SA Holdings	332
	498 638
Loans from related parties	
Ascendis Financial Services Limited	199 514
Ascendis Health	3 811 118
	4 010 632
Amounts included in trade receivables regarding related parties	
Ascendis Financial Services Limited	12 081
Ascendis Spain Holdings Limited	180
	12 261
Amounts included in trade payables regarding related parties	
Ascendis Health UK	3 801
Ascendis Management Services Proprietary Limited	5 759
	9 560

Related party transactions

	6 months ended 31 December 2020 R '000
Interest received from related parties	
Ascendis Financial Services Limited	9 469
Scitec	1 820
	11 289
Interest paid to related parties	
Scitec	1 099

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000
17. Related parties (continued)	
Dividends received from related parties	
Scitec	4 730 364

18. Fair value estimation

The carrying value less impairment provision of trade and other receivables, cash and cash equivalents and trade and other payables are assumed to approximate their fair values due to the short term nature of trade and other receivables, cash and cash equivalents and trade and other payables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Fair value is a market-based measurement and is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

A financial instrument's categorisation within a three-level valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Recurring fair value measurements at 31 December:

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Measured at fair value on a recurring basis	**R '000**	**R '000**	**R '000**	**R '000**
Financial liabilities at fair value through profit and loss				
Deferred vendor liabilities	-	-	48 844	48 844
Foreign exchange contracts	-	605	-	605
Total liabilities	**-**	**605**	**48 844**	**49 449**
Measured at fair value on a recurring basis				
Financial assets at fair value through profit and loss				
Foreign exchange contract	-	403	-	403
Non-financial asset				
Land and buildings	-	-	541 976	541 976
Total assets	**-**	**403**	**541 976**	**542 379**

There has been no significant change in the fair between 30 June 2020 and 31 December 2020. As such, the fair value disclosures have not been presented.

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R '000
18. Fair value estimation (continued)	
Reconciliation of recurring level 3 fair value measured instruments:	
Opening balance	194 522
Repayments	(154 791)
Interest capitalised	14 024
Exchange rate differences	(4 911)
Closing balance	**48 844**

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.

Borrowings

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).

19. Headline earnings

Profit attributable to the owners of the reporting entity	5 880 032
Net loss on sale of property plant and equipment	102
Tax effect	(13)
Impairment on Intangible assets	18 547
Tax effect	(2 318)
Headline earnings	**5 896 350**

20. Going concern

As a 31 December 2020, the group's total assets exceeded its liabilities by R2 456 million. This has been contributed mainly by the group's debt which amounted to R4 493 million and loans from related parties of R3 986 million. The group debt was initially accounted for in Scitec which was subsequently disposed on 31 July 2020, the debt was then transferred to the Ascendis Health Europe. This means that as at 31 December 2020, the group is technically insolvent.

In assessing whether the group is a going concern, it is important to consider the plans by the Ascendis Group on repayment of the group debt.

Ascendis Group going concern position

At 31 December 2020 the majority of the group's debt was reclassified as current in line with the repayment date of 31 December 2021. As a result, the group's current liabilities exceed the current assets by R5.1 billion. This position reflects that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. In making the going concern assessment, the directors have taken into account the continued strong operational performance of the underlying operations, together with progress to date on the Group Recapitalisation as well as the Interest Forbearance Agreement that was signed on 28 February 2021, and the implications of this agreement and the recapitalisation on liquidity and solvency. The directors have concluded that the group can continue to operate as a going concern subject to successful implementation of the Group Recapitalisation. More information on the Debt, Group Recapitalisation and Liquidity is described in further detail below.

Notes to the Reviewed Condensed Interim Results

20. Going concern (continued)

Debt and Group Recapitalisation

On 5 June 2020 the group entered into a Senior Facilities Agreement (“SFA”) with its lender consortium to restructure its existing debt facilities and provide for the advance of new facilities. This arrangement enabled the group to extend the repayment obligations of its debt to 31 December 2021, with no capital payments required in advance of that date, other than repayments triggered as a result of assets disposals and repayment of any excess cash beyond that which the business required. The debt has been classified as current in the half-year financial statements due to the timing of this repayment.

This debt extension enabled the operations to focus their attention on driving performance, whilst a cash sweeping arrangement implemented at group-level allowed improved oversight of the governance related to capital allocation. The intention of the debt extension was also to allow the group to attempt to maximise the exit values of assets targeted for disposal under the lender-prescribed divestment program.

At 31 December 2020 the following progress had been made on the divestment programme:

- **Remedica:** Non-binding offers had been received for the sale of the business and while various due diligence processes had commenced, management’s judgement was that the execution risk on this disposal remained high as at 31 December 2020 and therefore Remedica is not classified as a discontinued operation.
- **Sun Wave:** Progress was made in reducing the outstanding deferred vendor payment to R48.8 million at 31 December 2020. This was subsequently settled in full after half year.
- **Medical Devices:** Management requested an extension on the commencement of this disposal process in September 2020. This delay in initiating the disposal process enabled the group to benefit from the business’s strong performance as reflected in the half-year results. The disposal process had not yet commenced at 31 December 2020 and therefore Medical Devices continues to be included as a continuing operation.
- **Animal Health:** The business was in an active process of divestment commencing in September 2020 with binding offers having been received by 31 December 2020. The business was therefore classified as held for sale as at the interim reporting date and continues toward divestment.
- **Biosciences:** The business was disclosed as a discontinued operation at the 2020 financial year reporting date and management continued to do so at the interim reporting date as an active sales process and negotiations were ongoing.
- **Dezzo Trading 392 Proprietary Limited (“Dezzo Trading”):** The entity conducting the group’s public sector SA pharma business was identified as a disposal group held for sale in the 2020 financial year. The business continues to be classified as such and the disposal was concluded during March 2021.

In January 2021, the board of directors received communication from Blantyre Capital Limited (“Blantyre”) and L1 Health GP SARL (“L1 Health”) confirming that, as part of the lender consortium, they 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 is not in the best long-term interest of the company and its stakeholders, and 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 continue.

The directors are advanced in their engagements with Blantyre and L1 Health in respect of a recapitalisation and restructure of the group (“Group Recapitalisation”).

The directors have provided due consideration to the following matters in determining their engagement on the Group Recapitalisation:

- **Cost of funding and its impact on the capital loan balances:** The SFA signed on 5 June 2020 resulted in an extremely high cost of funding for the group. Interest is charged at EURIBOR plus 10% to 14% (4% - 5% related to margin and an additional 5% - 10% payment in kind (“PIK”) charge) on the Euro-denominated facilities and JIBAR plus 10% to 14.2% (3.75% - 5% related to margin and an additional 5%-10% PIK charge) for the ZAR denominated facilities. As a result the average effective cost of debt was approximately 14.4% and 16.9% for European and South African denominated facilities respectively. This resulted in funding costs comprising R196 million of interest plus R280 million related to the PIK margin. The SFA provides for a PIK strike of a further 2,5% in certain circumstances as described in more detail under “divestment related milestones”. Importantly, the PIK interest is capitalised to the value of the debt and therefore the aggregate debt balance continues to grow by the value of the PIK.

20. Going concern (continued)

- **Liquidity:** Reduced credit facilities available to the group due to the inclusion of the upcoming debt repayment in credit insurers risk profiles put pressure on liquidity as a number of suppliers required advance payments for orders placed with them. The impact of these reduced credit facilities was particularly pronounced in the Medical Devices business where there was a need to ensure sufficient cash to manage the escalated working capital requirements brought about by the increase in demand as a result of COVID-19. Medical Devices houses the Respiratory Care Africa ("RCA") and The Scientific Group ("TSG") subsidiaries that supply high flow oxygen units, Airvos, and ventilators that are critical in the treatment of COVID-19 and the testing equipment used to detect the virus. The Group Recapitalisation enabled engagement with the majority lenders on the most appropriate way of ensuring headroom was available in the business. This culminated in the company entering into a forbearance agreement as described under the "liquidity" section.
- **Execution risk on disposals:** On review, the directors acknowledged that the lender-prescribed divestment program put the group at a disadvantage related to extraction of maximum value for the assets during the disposal processes. Further, the upcoming debt repayment date of 31 December 2021 does not allow for any extension of the disposal programme despite the increased complexity of divesting multiple assets simultaneously. Importantly, the shares in Remedica and Sun Wave are subject to lender security and as such lender consent would have been required to release the security to implement a disposal. Consideration of these factors, in turn, increased overall execution risk of the divestment program.
- **Divestment related milestones:** The SFA includes a number of disposal milestones. Certain disposal milestones result in events of default while others cumulatively result in an increase in the PIK margin of 2.5%. As discussed above, delays were experienced in certain milestones related to the disposals of Sun Wave, Medical Devices and Biosciences that were required to have been met by 31 January 2021. This resulted in an increase of the PIK margin applicable to all facilities of 2.5% from this date. This PIK strike will result in an additional c.€4 million and R51 million on EURO and Rand denominated facilities respectively in financing costs being incurred between that point and maturity of the debt.

In light of the above factors, the directors are of the view that successful implementation of the Group Recapitalisation will provide a stable platform to address the group's high financial leverage and punitive funding structure, short term debt maturities and operational liquidity requirements.

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. This revised forecast takes into consideration expected operational performance and working capital requirements. Group Treasury manages liquidity and works closely with each business 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. These are shared with the consortium lenders every fortnight.

At 31 December 2020, the group's consolidated cash and cash equivalents totalled R311 million (including restricted cash of R60 million), having improved from R204 million (including restricted cash of R79 million) at 30 December 2019. The group has managed to meet its short-term obligations as these have fallen due.

In order to address the group's short-term liquidity requirements and further potential events of default under the SFA, the group entered into a forbearance agreement with L1 Health and Blantyre. Under the forbearance agreement, L1 Health and Blantyre have agreed not to take enforcement action in respect of certain events of default and the non-payment of interest of approximately R79 million due on 31 March 2021. In addition, pursuant to the forbearance agreement, the business has been able to increase its facilities with the Bank of Cyprus after the interim reporting date as well as retain the eventual proceeds received on disposal of Dezzo. The above factors have provided the group with the required short term liquidity headroom.

The forbearance agreement caters for certain other events of default and remains in place until 30 April 2021 ("forbearance period"). The forbearance period may be extended by agreement between the group and the majority lenders. The parties aim to reach agreement on the transaction structure for the Group Recapitalisation by 30 April 2021, which should lead to an extension of the forbearance period.

The group entered into an amendment to the SFA on 10 March 2021 ("Amended SFA") in order to accommodate additional and modified conditions until the completion of the Group Recapitalisation, including further liquidity support measures (as outlined above).

20. Going concern (continued)

Covenants

In terms of the Amended SFA, management is required to provide the lender consortium with a quarterly covenant certificate. The certificate only requires a single financial covenant ratio: total net debt/adjusted EBITDA (adjusted EBITDA is defined as the last 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 until the repayment date of 31 December 2021. At 31 December 2020, the target ratio was less than or equal to 7.3x. Ascendis achieved a ratio of 4.4x, demonstrating an acceptable margin below the target ratio.

Under the Amended SFA, a condition was introduced to remove a concessionary adjustment previously included in the target ratio for the adverse effects of the COVID-19 pandemic. This condition will require that prospectively upon the next reset of the covenant (triggered by a business disposal), the target ratio calculation may no longer include the COVID-19 adjustment.

A sensitivity analysis reflects that the group will continue to meet the covenant after the abovementioned amendment.

Covid-19

The COVID-19 pandemic has been an unprecedented development arising in the prior financial year and a situation rendering adaptation to what could be considered a new status quo for society.

The resurgence of the virus was experienced in the various markets in which the group operates. The second wave in South Africa was a more contagious viral strain, propelling the country back into a stricter lockdown throughout the wave's peak faced through until January 2021.

Other major territories of operation such as Cyprus, Romania and Spain experienced unique challenges. Cyprus' island location benefited in the containment of the virus, but mainland Spain and Romania were more severely impacted, leading to harsher and more prolonged lockdown regulations, particularly in response to a second wave of infections from October 2020. Vaccination campaigns in the European Union ("EU") have been extensive and at the forefront globally in terms of the pace of the roll-out.

As highlighted, the group benefits from a predominantly COVID-19 defensive business and this has reflected in exceptional operational performance during the period.

The pandemic presented several operational challenges and opportunities, including:

- Inventory challenges due to port and shipping delays;
- Restricted access to customers through hard lockdowns and access to medical facilities;
- Increases in freight and distribution costs, for both domestic and international logistics;
- Cost savings continue to be realised following lower levels of travel and marketing across the group;
- Production facility closures due to virus outbreaks among employees have been minimal; and
- The postponement of elective surgeries impacted on sales across the Medical Devices segment although opportunities to supply personal protective equipment and other equipment related to treating the virus were maximised.

The impact of the second wave was less disruptive due to key response processes now being embedded into the business.

Management acknowledges the uncertainty regarding the outlook and developments relating to COVID-19 but continue to actively monitor its impacts on staff, customers and the business operations. The group takes its responsibility seriously to continue to ensure that products are available to customers to assist in the humanitarian response.

Notes to the Reviewed Condensed Interim Results

20. Going concern (continued)

Conclusion

As outlined above, the directors have considered various points of mitigation against the material uncertainty related to going concern. This includes considering the continued support of the company's lenders, investors and customers and the progress and plans for the Group Recapitalisation, in conjunction with progress on the disposals of the identified non-core operating units. They have also considered the financial plans and forecasts, and the actions taken by the company. In particular, the going concern of the business is premised on a 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 interim financial statements.

Based on the above assessment, it is concluded that the reporting entity is a going concern and the the financial statements have been prepared on a going concern basis.

21. Events after the reporting period

Interest Forbearance Agreement

On 28 February, the group entered an agreement with its lenders, agreeing not to take enforcement action in respect of certain potential events of default and non-payment of interest. This constituted a non-adjusting post-balance sheet event.

Amendment of the Senior Facilities Agreement (SFA)

On 10 March 2021, the group's SFA was amended in order to accommodate additional and modified conditions until the recapitalisation is finalised. This constituted a non-adjusting post-balance sheet event.