Respiratory Care Africa Reporting Entity

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:

Respiratory Care Africa Reporting Entity

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
Assets		
Non-Current Assets		
Plant and equipment	4	12 907 951
Right-of-use assets		1 352 354
Intangible assets		705 597
Deferred tax assets	5	18 931 395
		33 897 297
Current Assets		
Inventories	7	101 112 019
Loans to group companies	6	95 119 426
Trade and other receivables	8	239 504 523
Cash and cash equivalents		1 119 069
		436 855 037
Total Assets		**470 752 334**
Equity and Liabilities		
Equity		
Share capital		800
Accumulated loss		(1 110 629 368)
		(1 110 628 568)
Liabilities		
Non-Current Liabilities		
Contract liabilities		4 789 388
Lease liabilities		1 641 767
		6 431 155
Current Liabilities		
Trade and other payables	9	123 137 671
Loans from related parties		525 711 671
Contract liabilities		6 348 930
Derivative financial liabilities		867 441
Provisions		7 128 556
Financial guarantee liability	10	887 231 801
Current tax payable		24 523 677
		1 574 949 747
Total Liabilities		**1 581 380 902**
Total Equity and Liabilities		**470 752 334**

Respiratory Care Africa Reporting Entity

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
Revenue	11	587 898 485
Cost of sales		(373 837 536)
Gross profit		**214 060 949**
Other income		992 556
Reversal of expected credit loss allowance on financial guarantee liability	10	515 198 131
Administrative expenses	3	(68 144 759)
Selling and distribution costs	3	(19 479 186)
Movement in credit loss allowances		(22 852 034)
Other operating expenses		(538 270)
Operating profit		**619 237 387**
Finance income		1 714
Finance costs		(27 899 443)
Profit before taxation		**591 339 658**
Taxation	12	(18 846 930)
Profit for the period		**572 492 728**
Other comprehensive income		-
Total comprehensive income for the period		**572 492 728**

Respiratory Care Africa Reporting Entity
Reviewed Condensed Interim Results for the period ended 31 December 2020

Condensed Statement of Changes in Equity

	Share capital	Accumulated loss	Total equity
	R	R	R
Balance at 01 July 2020	**800**	**(1 683 122 086)**	**(1 683 121 293)**
Profit for the period		572 492 728	572 492 728
Balance at 31 December 2020	**800**	**(1 110 629 368)**	**(1 110 628 568)**

Condensed Statement of Cash Flows

	Notes	6 months ended 31 December 2020 R
Cash flows from operating activities		
Cash generated from operations	13	115 489 969
Interest received		1 714
Interest paid		(192 316)
Tax paid	14	(3 923 364)
Net cash from operating activities		**111 376 003**
Cash flows from investing activities		
Purchase of plant and equipment		(2 705 855)
Purchase of intangible assets		(141 346)
Sale of plant and equipment		3 066 792
Loans advanced to related parties		(94 408 127)
Net cash used in investing activities		**(94 188 536)**
Cash flows from financing activities		
Repayment of loans from related parties		(22 544 004)
Payment of lease liabilities		(229 346)
Net cash used in financing activities		**(22 773 350)**
Total cash movement for the period		**(5 585 883)**
Cash at the beginning of the period		6 704 952
Total cash at end of the period		**1 119 069**

Accounting Policies

1. Basis of preparation

1.1 Description of business

Ascendis Health Limited ("Ascendis") received an unsolicited management buy-out offer for Respiratory Care Africa (Pty) Ltd ("RCA"), a component of the Medical Devices business, in November 2020. Ascendis issued a formal expression of interest to the management buy-out consortium in February 2021. A sale of shares agreement ("SPA") has been concluded on 25 May 2021 between Surgical Innovations Proprietary Limited ("the Seller") (a wholly-owned subsidiary of Ascendis Health), RCA (a wholly-owned subsidiary of the Seller) and K2021519417 (South Africa) Proprietary Limited, indirectly owned by the Ata Fund III Partnership, an en commandite partnership managed by Ata Capital Proprietary Limited ("Ata") and the current management of RCA ("the Purchaser"), for the disposal of all the shares in RCA (the "Sale Shares") ("the Disposal").

Under the management buy-out offer, Ascendis will dispose of its entire shareholding in RCA to the management consortium. However, prior to the date of disposal, Ascendis will transfer the following assets that are currently part of the RCA legal entity out of RCA into another group entity:

- Investment in Lexshell 834 (Pty) Ltd
- Investment in Respiratory Care Africa (Botswana) (Pty) Ltd
- Investment in Ascendis Medical Supplies Namibia (Pty) Ltd

Although RCA has historically existed as a separate legal entity, and prepared separate financial statements, not all the assets that historically formed part of the RCA legal entity will form part of the subject matter of the disposal transaction. Therefore, for the purpose of presenting the historical performance of RCA for the proposed disposal by Ascendis, carve-out historical financial information has been prepared for RCA excluding the above assets (the "RCA Disposal Group").

1.2 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.

1.3 Basis of preparation

The carve-out interim financial information reflects the assets, liabilities, revenue and expenses directly attributable to the subject of the transaction as was recognised in the RCA interim numbers as reported to Ascendis group.

As IFRS does not provide specific guidance for the preparation of carve-out historical financial information, principles outlined in IAS 8 were used in the preparation of the 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 carve-out historical financial information has consequently been prepared from the historical financial information recognised in the Ascendis consolidated financial statements related to the RCA Disposal Group (i.e., predecessor accounting). The assets of the RCA Disposal Group recognised in the carve-out historical financial information exclude goodwill and intangible assets recognised in the Ascendis consolidated financial statements that relate to the RCA Disposal Group as these assets do not form part of the subject matter of the transaction.

Accounting Policies

1.3 Basis of preparation (continued)

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

- Presented in South African Rand (ZAR).
- 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 the intercompany loans payables. The financial guarantee will be cancelled, and the intercompany loans payable will be settled or transferred to another entity upon disposal of the RCA Disposal Group and will restore the RCA Disposal Group to a solvent position with current assets exceeding current liabilities. Management therefore has a reasonable expectation that the RCA Disposal Group'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 carve-out historical financial information:

- **Equity:**
  - Share capital - as RCA has historically existed as a separate legal entity, the share capital presented in the carve-out historical financial information represents that of RCA.
  - Other reserves: no other reserves have been presented as there are no categories in equity that will be recycled to profit or loss in the future.

- **Allocation of central costs** - Management and similar functions for the South African operations of Ascendis group were primarily performed at an Ascendis Management Services (Pty) Ltd ("Ascendis Management Services") level (a subsidiary of Ascendis); these functions include payroll, accounting, marketing, executive management, advertising, legal, insurance, IT, company secretarial and other administrative functions. Any central management fees and similar costs that were incurred by Ascendis Management Services on behalf of RCA were historically recharged to RCA. Depending on the nature of the cost these were historically recharged based on either specific identification or EBITDA of the entity relative to total South African EBITDA. Management believes the basis on which historic intra-group recharges were made is a reasonable reflection of the utilisation of the services provided by Ascendis Management Services and the historical cost of doing business by the RCA Disposal Group. As such, no additional central costs were required to be allocated to the RCA Disposal Group.

- **Taxation:** RCA has historically filed separate tax returns in South Africa where the legal entity is tax resident. RCA will continue to file tax returns. The income taxes in the carve-out historical financial information have been prepared using a separate tax return basis.

- **Intercompany:** Transactions with the Ascendis group of companies have been disclosed as related party transactions in the carve-out historical financial information. The intercompany loans will reflect as an intercompany liability and asset in the carve-out historical financial information.

- **Interest:** The interest charge reflected in the carve-out historical financial information is based on the interest charge historically incurred by RCA on any external borrowings and intercompany loans.

- **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 the RCA Disposal Group from Ascendis.

1.4 Limitations inherent to carve-out

As the carve-out historical financial information of the RCA Disposal Group has been prepared on a carve-out basis, this carve-out historical financial information may not be indicative of the RCA Disposal Group's future performance.

1.5 Subsequent events

The carve-out historical financial information of the RCA Disposal Group was authorised for issue by the board of directors of Ascendis Health on xx 2021. Subsequent events have been considered from 31 December 2020 up to the date that the carve-out historical financial information was authorised for issuance. Refer to note 19.

2. 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. There have not been any changes to the significant estimates and judgements from previous annual financial statement. Detailed information about each of these estimates and judgements is included in the notes to the annual financial statements for the year ended 30 June 2020. 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.

2. Significant changes in the current period

The seasonality of the operations had no significant impact on the condensed reviewed interim results. However, the reporting entity recorded a significant increase in revenue which was contributed by the sale of products related to the treatment of COVID 19.

Accounting Policies

3. Explanatory notes

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

Selling and distribution expenses
The reporting entity recorded the increase in commission paid to the sales agents in line with the increase in revenue. In addition, the company recorded an increase in courier fees because due to the lockdown regulations, some products had to be couriered to the customers.

Administrative expenses
The increase in administration expenses has been contributed by the significant increase in payroll related expenses which have increased by approximately 18% as opposed to the same period last year. This is in line with the increased demand for the products, the entity had to employ more personnel directly involved in the sales of the products.

Prepayments
Prepayment have reduced significantly as the reporting entity does not have any inventory that it has already ordered which has not been received as at reporting date.

Trade payables
Trade payables have increased significantly because the reporting had to purchase more stock in order to meet the demand for COVID 19 related products.

Expected credit loss allowance on intercompany loans
The reporting entity recorded an increase in expected credit loss allowances due to the increase in the loan balance with Ascendis Financial Services by R103 million. This has resulted in the increase in the allowance by R22 million which has been recorded in the statement of profit or loss.

Movement in contract liabilities
During the period under review, an amount of R4.0 million has been reclassified from non-current to current as the amount will be realised within the next 12 months.

Notes to the Reviewed Condensed Interim Results

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4. Plant and equipment

	31 December 2020		
	Cost	Accumulated depreciation	Carrying value
	R	R	R
Demonstration equipment	17 492 035	(6 512 116)	10 979 919
Furniture and fixtures	2 864 726	(1 355 742)	1 508 984
Motor vehicles	2 549 641	(2 458 050)	91 591
Computer equipment	3 487 516	(3 160 059)	327 457
	26 393 918	**(13 485 967)**	**12 907 951**

Reconciliation of Plant and equipment – 31 December 2020

	Opening balance	Additions	Disposals	Depreciation	Closing balance
	R	R	R	R	R
Demonstration equipment	12 601 761	2 018 210	(2 080 236)	(1 559 816)	10 979 919
Furniture and fixtures	1 072 953	605 335	-	(169 304)	1 508 984
Motor vehicles	175 273	-	-	(83 682)	91 591
Computer equipment	357 900	82 310	-	(112 753)	327 457
	14 207 887	**2 705 855**	**(2 080 236)**	**(1 925 555)**	**12 907 951**

5. Deferred tax

	6 months ended 31 December 2020
	R
Deferred tax asset	
Income received in advance	3 118 729
Lease liabilities	463 691
Provisions	9 700 120
Expected credit loss allowance	6 027 513
Total deferred tax asset	**19 310 053**
Deferred tax liability	
Right-of-use assets	(378 658)
Total deferred tax liability	**(378 658)**

Notes to the Reviewed Condensed Interim Results

5. Deferred tax (continued)

	6 months ended 31 December 2020 R
Deferred tax asset	19 310 053
Deferred tax liability	(378 658)
Total net deferred tax assets	**18 931 395**

Reconciliation of deferred tax

At beginning of year	10 482 469
Charged to the statement of profit or loss	8 448 926
At end of year	**18 921 395**

Deferred tax asset is recognised because the reporting entity expects to make future taxable profits in excess of profits arising from 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.

6. Loans to related parties

Counterparty	**Gross amount**	**Expected credit loss allowance#**	**Net amount**
Surgical Innovations	25 836 556	(12 874 356)	12 962 200
The Scientific Group	841 140	(229 884)	611 256
Ascendis Medical Namibia	7 003 191	(3 652 164)	3 351 027
Ascendis Financial Services*	103 720 576	(25 525 634)	78 194 942
	137 401 463	**(42 282 037)**	**95 119 426**

*The loan balance has increased significantly from June 2020 due to the increase in sweeping of cash by Ascendis treasury as per Lender requirements.
#There has not been any significant change in the ECL percentages from June 2020.

All loans are do not have any repayment terms and are interest-free.

7. Inventories

Finished goods	87 723 357
Goods in transit	18 163 630
	105 886 987
Provision for write-downs	(4 774 968)
	101 112 019

The cost of inventories recognised as an expense and included in cost of sales amounted to R373 953 955.

Amount of write-down of inventory recognised as an expense amounted to R574 146.

None of the inventory is pledged as security.

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R
8. Trade and other receivables	
Financial assets:	
Trade receivables	234 613 490
Less provision for impairment of trade receivables	(3 890 110)
Trade receivables – net	**230 723 380**
Other receivables	704 395
	231 427 775
Non-financial assets:	
Prepayments	8 076 748
Trade and other receivables	**239 504 523**

Details of the expected credit loss allowance

Provision matrix	**Gross carrying amount**	**Impairment**	**Average ECL/impairment ratio**
Current	14 910 181	(305 999)	-2,05%
Up to 30 days aged	-	-	0,00%
Up to 60 days aged	4 124 504	(329 541)	-7,99%
Up to 90 days aged	1 361 998	(120 229)	-8,83%
Simplified parameter-based approach			
Government customers*	182 363 084	(2 426 770)	-1,33%
Public listed customers	31 853 723	(707 571)	-2,22%
	234 613 490	**(3 890 110)**	**-1,66%**

*The balance owing by government customers to the reporting entity has increased by approximately 184% from the balance owed on 30 June 2020. This is due to the increased sales to government customers on the products related to the COVID 19 treatments.

Credit risk
There has not been any significant increase in credit risk from 30 June to the period under review.

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R
9. Trade and other payables	
Financial liabilities:	
Trade payable	80 619 490
Accrued expenses	5 700 587
Other payables [(1)]	18 972 392
Non-financial liabilities:	
Other accrued payroll liabilities	8 369 505
Value added taxation	9 475 697
	123 137 671

[(1)] This is related to the stock that has been purchased from overseas and it is still in transit.

10. Financial guarantee liability

In terms of IFRS 9, the reporting entity is required to recognise financial guarantee contracts where it 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 12 months or the expected life of the guarantee depending on whether there has been a significant increase in the credit risk. Accordingly, the cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the reporting entity expects to receive from the holder, debtor or any other party.

The reporting entity along with other subsidiaries has jointly and severally guaranteed the Ascendis group senior borrowing facilities recorded in Ascendis Financial Services Proprietary Limited, Ascendis Health International Holdings Limited, 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.

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 months ended 31 December 2020, Ascendis group recorded an improved performance and hence an assumption was applied that the performance will continue to improve for the remainder of the financial year. In addition, Ascendis debt is repayable within 12 months and hence a 12-month ECL which is also equivalent to the lifetime ECL was applied.

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.

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R
10. Financial guarantee liability (continued)	
Face Value	
Term loan - European debt	3 360 270 000
Term loan - South African debt	1 665 518 000
Revolving credit facility	1 366 645 000
	6 392 433 000
The reporting entity's financial liability relating to financial guarantee contracts amounts to:	887 231 801
Financial guarantee reconciliation:	
Opening balance	1 402 429 932
Reversal of credit loss allowance	(515 198 131)
Closing balance	**887 231 801**

11. Revenue

Revenue from contract with customers	
Sale of goods	544 046 446
Rendering of services	43 852 039
	587 898 485
Disaggregation of revenue from contracts with customers	
Local	556 723 499
International	31 174 986
	587 898 485
Timing of Revenue:	
Point in time	
Sale of medical equipment	352 915 671
Sale of consumables	191 130 775
Over time	
Services income	37 278 878
Warranty income	6 573 161
Total revenue	**587 898 485**

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R
12. Taxation	
Major components of the tax expense	
Current	
Local income tax - current period	27 295 856
Deferred	
Originating and reversing temporary differences	(8 448 926)
Tax expense	**18 846 930**
Reconciliation of the tax expense	
Accounting profit	**591 343 659**
Tax at the applicable tax rate of 28% (2020: 28%)	**165 576 225**
Tax effect of adjustments on taxable income	
Reversal of credit loss allowance on financial guarantee liability	(144 255 477)
Prior year under provisions	(2 473 818)
Effective tax	**18 846 930**
13. Cash generated from operations	
Profit before taxation	**591 343 659**
Adjustments for:	
Depreciation and amortisation	2 360 041
Profit on sale of assets	(986 556)
Unrealised foreign exchange losses	453 543
Expected credit loss allowance on financial guarantee liability	(515 198 131)
Movement in provisions and contract liabilities	(5 541 704)
Movement in expected credit loss allowances	22 852 034
Finance income	(1 714)
Finance costs	27 899 443
Changes in working capital:	
Inventories	23 096 735
Trade and other receivables	(66 597 142)
Trade and other payables	35 809 761
	115 489 969

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R

14. Tax paid

Balance at beginning of the period	(1 151 185)
Current tax for the period recognised in profit or loss	(27 295 856)
Balance at end of the period	24 523 677
Tax paid	**(3 923 364)**

15. 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	Carrying value	Level 1	Level 2	Level 3	Total
Derivative financial liability	867 441	-	867 441	-	**867 441**

There were no transfers between level 1, 2 or 3 for the company during the period.

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

Derivative financial liability – Derivatives are valued using valuation techniques which employ the use of observable inputs. The future cash flows on forward exchange contract are estimated based on the forward exchange rates at the end of the period discounted using the appropriate country-specific curve.

Notes to the Reviewed Condensed Interim Results

	6 months ended 31 December 2020 R

16. Headline Earnings

Profit attributable to the owners of the reporting entity	572 492 728
Net loss on sale of property plant and equipment	(986 556)
Tax effect	246 639
Headline earnings	**571 752 811**

17. Related parties

Related party transactions constitute the transfer of resources, services or obligations between the company and a party related to the Ascendis group of companies, 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 executive committee and includes close members of their families and entities controlled or jointly controlled by these individuals

Ultimate holding company	Ascendis Health Limited
Holding Company	Surgical Innovations (Pty) Ltd
Fellow subsidiaries	Ascendis Financial Services (Pty) Ltd Ascendis Management Services (Pty) Ltd A-med (Pty) Ltd The Scientific Group (Pty) Ltd Ascendis Medical Namibia (Pty) Ltd Lexshell 843 Investments (Pty) Ltd Respiratory Care Africa (Botswana) (Pty) Ltd

	December 2020 R
Related party balances and transactions	
Loans to and (from) related parties	
Ascendis Financial Services (Pty) Ltd	(515 946 108)
Ascendis Financial Services (Pty) Ltd	103 720 576
Ascendis Health Limited	(9 765 563)
The Scientific Group (Pty) Ltd	841 140
Ascendis Medical Namibia (Pty) Ltd	7 003 191
Surgical Innovations (Pty) Ltd	25 836 556
	(388 310 208)
Trade payables	
Ascendis Management Services (Pty) Ltd	(2 409 675)
	(2 409 675)
Management fees	
Ascendis Management Services (Pty) Ltd	12 082 934
Surgical Innovations	3 832 865
	15 915 799
Interest expense	
Ascendis Financial Services (Pty) Ltd	27 707 128
	27 707 128

Notes to the Reviewed Condensed Interim Results

18. Going concern

We draw attention to the fact that as at 31 December 2020, the reporting entity's total liabilities exceeded its assets by R1 111 million and as a result, it is technically insolvent. The net liability position is mainly driven by the recognition of the financial guarantee of R887 million and loans from related parties of R526 million. RCA is a guarantor of the group's debt facilities.

In considering whether the technical insolvency results in a going concern problem, management considered whether the financial guarantee liability is expected to result in a cash outflow. The significant value if the financial guarantee liability of R887 million is as a result of the financial difficulty being experienced by the Ascendis group as a whole and thereby resulting in a material uncertainty relating to the going concern of the group. As such, the Ascendis group's going concern assessment and the management's plans in relation to the repayment of the group debt is relevant to RCA's assessment of going concern.

Ascendis Health Limited and Ascendis Financial Services (Pty) Ltd have subordinated its claim against RCA in favor of the company's other creditors until such time as the assets of the company, fairly valued, exceed the liabilities. Ascendis Health Limited also issued a letter of support in respect of RCA which remains in place until June 2021.

Financial Performance

The reporting entity has benefited from a largely COVID-19 defensive portfolio which has seen a large increase in revenue for the six months. Excluding the financial guarantee liability and the related party loans, the reporting entity's assets exceed the liabilities by R207 million. Currently, there is material uncertainty with regards to the going concern of the reporting entity to the extent that Ascendis group will fail to repay the group debt. Therefore, it is important to consider the group's plan to repay the debt in order to determine the going concern of the company.

Ascendis Group Debt 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.

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 are of the view that the successful implementation of the group recapitalization will provide a stable platform to address the group debt and enables the group to operate with the target gearing,

Conclusion

The reporting entity on its own without the commitments from Ascendis group is performing very well and could be in a net asset position. However due to the financial guarantee liability and the related party loans, the company is in a net liability position. Ascendis group is planning on a group recapitalization of the debt and disposal of non-core assets which will help reduce the group debt significantly. The directors are of the view that the group recapitalisaton will be successful and hence the company will continue to operate as a going concern for the foreseeable future. The financiall statements have been prepared on a going concern basis.

Notes to the Reviewed Condensed Interim Results

18. Events after the reporting period

Ascendis group received an offer from the company management for a buy-out of the RCA business. The group accepted the offer the sale-purchase agreement was signed in May 2021, the transaction is expected to be closed by 30 September 2021. This is considered as a non-adjusting event