



Ascendis
HEALTH LIMITED

Group Annual Financial Statements

For the year ended 30 June 2022



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Group company secretary's certification

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

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that, to the best of my knowledge, for the year ended 30 June 2022, Ascendis Health Limited group has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



TM Nkuna (B Com, LLB)
Group company secretary
Johannesburg
28 September 2022

Directors' responsibilities and approval

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

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

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

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

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

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

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

The board is satisfied that the company and group, and all companies within the group, are and will be able to continue as a going concern (except for the group companies that are in the process of deregistration) in the foreseeable future and has therefore continued to adopt the going concern basis in preparing the group annual financial statements. This is based on the successful implementation of the debt restructure, forecasts and available cash resources. Refer to detailed information on the going concern assumption in the audit and risk committee report on page 13, directors' report on page 19 and accounting policy note on page 30.

The group's external auditor, PricewaterhouseCoopers Inc., audited the group annual financial statements and its report is presented on pages 5 to 12.

Directors' responsibilities and approval

The group annual financial statements, as set out on pages 19 to 159, were prepared under the supervision of the chief financial officer, CJ Kujenga CA (SA) and approved for issue by the board on 28 September 2022 and are signed on its behalf by:



HJ Smit
*Independent non-executive
chairman*
Johannesburg
28 September 2022



AC Neethling
*Chief transition officer and
acting chief executive officer*
Johannesburg
28 September 2022



CJ Kujenga
Chief financial officer
Johannesburg
28 September 2022


CEO and CFO's Responsibility Statement

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

- a. The annual financial statements set out in pages 19 to 159, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- b. To the best of my knowledge, no facts have been omitted or untrue statements that would make the annual financial statements false or misleading;
- c. Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- d. the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled my role and function as executive director with primary responsibility for implementation and execution of controls
- e. where I am not satisfied, I have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and
- f. I am not aware of any fraud involving directors.



AC Neethling
Acting chief executive officer
Johannesburg
28 September 2022



CJ Kujenga
Chief financial officer
Johannesburg
28 September 2022

Independent auditor's report

Independent auditor's report

To the Shareholders of Ascendis Health Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Ascendis Health Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2022, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Ascendis Health Limited's consolidated and separate financial statements set out on pages 25 to 156 comprise:

- the group and company statements of financial position as at 30 June 2022;
- the group statement of profit or loss for the year then ended;
- the group statement of comprehensive income for the year then ended;
- the company statement of profit or loss and comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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


Independent auditor's report

Material uncertainty relating to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss before taxation from continuing operation of R795 million during the year ended 30 June 2022 and, as of that date, the Group's current liabilities exceed current assets excluding both assets and liabilities classified as held for sale by R6 million. As disclosed in Note 1, if the Group is unable to conclude the disposal of Pharma, it will in all likelihood not have sufficient available funds to repay the lenders by 17 November 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

	Overall group materiality <ul style="list-style-type: none">Overall group materiality: R48.9 million, which represents 4.1% of consolidated average loss before tax from continuing operations.
	Group audit scope <ul style="list-style-type: none">The consolidated financial statements comprise 66 components.We performed full scope audits on 14 components due to their financial significance and in order to obtain sufficient appropriate audit evidence on which to base the group audit opinion.Analytical review procedures were performed over the remaining components.
	Key audit matters <ul style="list-style-type: none">Valuation, presentation and disclosure of <i>Discontinued Operations</i> and <i>Assets Held for Sale</i>; andMaterial Uncertainty Relating to Going Concern.

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

Independent auditor's report

Materiality

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

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

<i>Overall materiality</i>	<i>group</i>	R48.9 million
<i>How we determined it</i>		4.1% of consolidated average loss before tax from continuing operations.
<i>Rationale for the materiality benchmark applied</i>		We chose consolidated average loss before tax from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Group can be appropriately measured. Profit or loss before tax is not considered an appropriate benchmark due to its historical volatility. We chose 4.1% based on professional judgement and after consideration of the range of quantitative materiality thresholds that would typically apply when using consolidated average loss before tax from continuing operations to compute materiality. The considerations include taking cognisance of the wide range of intended users of the consolidated financial statements, and taking into account the levels of debt within the Group.

How we tailored our group audit scope

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

The Group owns a portfolio of brands within three core health care areas, namely Consumer Health, Pharma, and Medical, operating across various geographical locations including Africa and Europe. The consolidated financial statements are a consolidation of the Company, and 66 subsidiaries (each considered a component for the purposes of our group audit scope). We performed full scope audits on 14 financially significant components based on their contribution to consolidated revenue, consolidated total assets and consolidated profit before tax. Analytical procedures were performed on the remaining components.

Independent auditor's report

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

Key audit matters

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

The key audit matter below relates to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements of the Company to communicate in our report.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Valuation, presentation and disclosure of assets held for sale and discontinued operations.</i></p> <p>Refer to the following notes to the consolidated financial statements for details:</p> <ul style="list-style-type: none">• Note 1 - Going Concern;• Note 5 - Discontinued Operations; and• Note 6 - Disposal of Subsidiaries <p>During the current year, the Group concluded the disposals of a number of subsidiaries that were classified as discontinued operations in the previous financial year.</p> <p>As at 30 June 2022, the Group only has the Pharma division classified as held for sale in terms of the requirements of IFRS 5.</p> <p>The Pharma division was classified as held-for sale and a discontinued operation on 1 December 2021, with the disposal expected to be completed by 31 October 2022.</p> <p>The Group measures its non-current assets and disposal groups classified as held for sale at the lower of their carrying amounts and fair value</p>	<p>With the assistance of our valuation and accounting expertise, we performed the following procedures:</p> <ul style="list-style-type: none">• We recalculated the profit/loss on disposal of these subsidiaries (concluded disposals) based on the disposal consideration received less the net asset values of the respective subsidiaries. We noted no material differences.• We obtained an understanding of the transactions through inspection of all contracts and agreements relating to the disposal of the Pharma division. This understanding included an understanding of the effective contract dates, associated proceeds and transaction costs for the transactions. No matters requiring further consideration were noted;• We agreed the gross selling prices and

Independent auditor's report

less costs to sell. The criteria for classification as held for sale is regarded as being met when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition.

Significant judgement is applied in determining the probability of the sale being implemented. Prior to year end, the Group concluded two agreements to dispose of the Pharma division, subject to shareholders approving either the disposal of Pharma to the consortium of Pharma-Q/Imperial or Austell.

In determining the fair value less costs to sell for the Pharma division, the Group has considered the signed sales agreements and the terms of both the Pharma-Q/Imperial agreement and the Austell agreement.

We considered the valuation of the Pharma division to be a matter of most significance to the current year audit due to the level of judgement and estimates applied in determining the fair value less costs to sell. Further, the overall presentation and disclosure of the financial statements is pervasively affected by both the Pharma disposal and the disposal of the other subsidiaries by the Group.

In addition to the above, the Group incurred transaction costs in relation to the disposal of its subsidiaries. The appropriate classification of these costs between continuing and discontinuing operations is considered to be an area of judgement.

adjustments to the selling prices noted on the signed contracts and management calculations. We noted no material differences;

- Obtained an understanding of management's assumptions used to estimate the future costs to sell. We then evaluated the reasonability of these costs with reference to independently determined threshold percentages based on costs to sell for similar publicly available Ascendis disposals. We noted no matters requiring further consideration;
- We reperformed management's fair value less costs to sell calculations for mathematical accuracy. No differences were noted;
- We compared management's valuations to the net asset values of discontinued operations and held for sale assets and agreed the difference to the value of impairments recognised by management. We noted no material differences;
- We tested the completeness and accuracy of the financial results included in the disposal group held for sale, by comparing these to the financial results of the underlying businesses and the contracts to ensure that all relevant assets were included. We noted no material differences; and
- Evaluated the adequacy and accuracy of financial statement disclosures regarding these disposal transactions by confirming that the appropriate entities within the consolidation were transferred, the associated transaction costs were classified as part of the discontinued operations, as well as ensuring all remaining balances were cleared within these entities. We noted no matters requiring further consideration in this regard.

Independent auditor's report

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Ascendis Health Limited Group Annual Financial Statements for the year ended 30 June 2022”, and “Ascendis Health Integrated Annual Report 2022” which includes the Directors’ Report, the Audit committee’s report and the Group company secretary’s certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor’s report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor’s responsibilities for the audit of the consolidated and separate financial statements

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

Independent auditor's report

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent auditor's report

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Ascendis Health Limited for 9 years.

PricewaterhouseCoopers Inc.
PricewaterhouseCoopers Inc.

Director: Louis Rossouw

Registered Auditor

Johannesburg, South Africa

28 September 2022

Audit committee report

1. Introduction

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

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

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

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

During the current financial year, the scope of work for the internal audit was reduced because the group was finalising various disposals and restructuring.

The group’s operations have returned to normal as the economy is recovering from the impacts of COVID-19. The committee has also considered the impact of the Russia-Ukraine conflict and the floods in KwaZulu-Natal. The committee will continue to monitor and assess the ongoing developments and respond accordingly.

2. Purpose and activities of the committee

The committee performed the following functions during the year:

- Reviewed the interim and annual results to ascertain that the financial results are valid, accurate and fairly represent the group’s performance.
- Had oversight of integrated reporting and confirmed the integrity of the integrated annual report, as well as any other form of public reporting or announcements containing financial information.
- Reviewed the group annual financial statements, ensuring they are compliant with accounting standards and legal requirements, and recommended them for approval by the board.
- Ensured that the ongoing corporate activity is appropriately accounted for and disclosed in the annual financial statements and other forms of public reporting or announcements containing financial information.
- Reviewed the audit and risk committee and the internal audit charters.
- Confirmed the terms of engagement of the external auditor.
- Reviewed and monitored the implementation of the policy relating to non-audit services by the external auditor.
- Ensured that the scope of non-audit services did not compromise the independence of the external auditor. Please also refer to point 7 below in this regard.
- Had oversight of the activities and co-ordination of the external audits.
- Received feedback from management on systems of internal control.
- Reviewed and received assurances on the independence and objectivity of the external auditor.
- Reviewed the competence of the external auditors.
- Considered the implication of the decision to reduce the extent of internal audit involvement during the current year, due to the state of transition the group found itself in, and the effectiveness of the related mitigating activities by management.

Audit committee report

2. Purpose and activities of the committee (continued)

- Had oversight of IT development with ongoing feedback on progress to the committee.
- Received feedback on follow up matters arising from the 2021 external audit management letter.
- Conducted an annual assessment of the committee and its members.
- Considered the expertise and experience of the CFO and the finance department.
- Reviewed the group insurance cover in place and ensured that the group was sufficiently covered.
- Reviewed and updated the levels of authority framework.
- Monitored the progress made to improve tax processes, controls and compliance across the group, and considered whether the correct tax treatment had been applied.
- Ensured that the group has established appropriate financial reporting procedures and that those procedures are operating effectively.

3. Composition of the committee

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

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

Directors	Office	Qualifications	Changes
SS Ntsaluba J Sebulela	Chairman ⁽¹⁾ Member	B Com, B Compt (Hons), H Dip Tax Law, M Com, CA(SA) BA Com	Resigned effective 29 October 2021 Appointed effective 1 November 2021 Resigned effective 20 December 2021
B Harie	Chairman ⁽²⁾	BA LLB (Natal), LLM (Wits) Com	Resigned effective 20 December 2021 Re-appointed effective 10 June 2022 Appointed effective 20 December 2021 Resigned effective 6 June 2022
GJ Shayne	Member	CA(SA)	
K Wellner	Member ⁽³⁾	Masters degree in Economics Doctorate (PhD) in international economics (magna cum laude) Guest lecturer at MBA school of University of Stellenbosch from 2010 – 2015	Appointed effective 20 December 2021
SL Mulaudzi	Member	National Diploma Information Technology Post-graduate Diploma in Computer Auditing	Appointed effective 20 December 2021
RW Dawes	Member	Bachelor of Accountancy	Appointed effective 21 December 2021 Resigned effective 10 June 2022
A Chetty	Member	B Com, PG Dip Bus Mngmt and MBA	Appointed to the committee effective 10 June 2022

⁽¹⁾ The director was the chairman from July 2021 to October 2021

⁽²⁾ The director was the chairman from November 2021 to 20 December 2021 and from June 2022 to date.

⁽³⁾ The director was the chairman from February 2022 to May 2022.

Audit committee report (continued)

3. Composition of the committee (continued)

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

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

B Harie (chairman)	5/5
K Wellner	1/1
SL Mulaudzi	1/1
A Chetty	1/1
RW Dawes (resigned)	1/1
SS Ntsaluba (resigned)	5/5
J Sebulela (resigned)	5/5
GJ Shayne (resigned)	1/1

In addition to the 4 quarterly meetings, the committee held an additional 2 meetings to review the technical matters impacting the half-year and year-end results.

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

4. External auditor

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

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

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

The external auditor is invited to and attends all committee meetings. A schedule of findings by the external auditor arising from the statutory audit is tabled and presented at a committee meeting following the audit. The committee endorses action plans for management to mitigate concerns noted. The external auditor has expressed an unmodified opinion on the Group annual financial statements for the year ended 30 June 2022, albeit with an emphasis of matter related to going concern.

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

Audit committee report (continued)

5. External audit: Key audit matter

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

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

As outlined in the group annual financial statements, the group concluded the disposals of a number of subsidiaries that were classified as discontinued operations and held for sale in the prior year. Further, there have been additions to the discontinued operations in the current year. A complete list of these disposal groups and detail of the circumstances leading to their classification as such, can be found in Note 5 and 6 to the group annual financial statements. At year end, the group has only the Pharma division classified as held for sale due to the disposal of the other subsidiaries during the year.

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

In addition to the above matter, the committee has also considered the following significant matters:

Debt structure and going concern

During the year, the group went through multiple changes to lenders and to the debt structure of the senior facilities. The committee is satisfied that the appropriate application has been made of the principles of IFRS 9 *Financial Instruments* (IFRS 9) with respect to modification or extinguishment of the debt, and that the disclosures in the financial statements are appropriate.

At year end, the group's total debt under the Austell Facility was R498 million (Total senior debt at 30 June 2021: R7.6 billion including all the deferred vendor liabilities).

This debt was classified as current in line with the terms of the Austell Loan Agreement that have a repayment term of 17 November 2022. At year end, the group does not have sufficient funds available to repay this debt, and is concluding the following corporate activities that will enable a complete solution to the debt, and an injection of liquidity into the group:

- On 19 August the rights offer was concluded resulting in the group raising R101.53 million.
- The disposal of the Pharma business is at an advanced stage, with the shareholder EGM expected to take place in October 2022. There are 2 bidders for the business, increasing deal certainty of the transaction. The completion of the Pharma disposal will result in the set off of either R375 million (under the Pharma-Q/Imperial transaction) or R410 million (under the Austell transaction), against the debt, subject to adjustments for closing net working capital. In September 2022, Austell increased the purchase consideration by a further R22 million from R410 million to R432 million.
- The group is in the process of negotiating the early release of the R50 million Animal Health escrow.

Audit committee report (continued)

5. External audit: Key audit matter (continued)

The committee reviewed a documented assessment by management of the going concern premise of the group and considered inputs from the external auditors. After carefully considering the going concern status of the company and the group, with reference to the group's strategy, expected future cash flows, trading performance, balance sheet stresses, and compliance with loan covenants to secure lines of credit, proposed divestment, and the committee was comfortable to recommend the applicability of the going concern basis of accounting to the board. In deliberating the appropriateness of the going concern assumption, the committee has acknowledged that the inability to conclude the Pharma disposal or refinance any remaining debt, would mean that the group will not have sufficient funds to repay the lenders by 17 November 2022. This position reflects the material uncertainty that casts significant doubt on the group's ability to continue as a going concern. A comprehensive discussion on the debt structure and its implications on going concern is provided in note 1 of the group annual financial statements.

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

6. Non-audit services

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

At year end the percentage of non-audit services relative to the financial year audit costs was 1% (2021: 22%) and the special audit costs was 70% (2021: 31%) which was accrued to PwC for their role as reporting accountants on the related divestments transactions. The committee approved fees for the 2022 audit amounting to R14.8 million (2021: R20.2 million). Included in the above fee is R3.7 million (2021: R7.8 million), related to discontinued and / or disposed entities. Further, special audit services related fees were R10.4 million (2021: R6.6 million), and fees for other pre-approved non audit services were R50 000 (2021: R5.2 million). The committee continued to monitor the level of non-audit services to ensure that these services are maintained at an acceptable level.

The policy requires the external auditor to satisfy the committee that the delivery of non-audit services does not compromise their independence in performing regular audit services, regardless of the fees associated with such services.

7. Evaluation of the Chief Financial Officer

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

Audit committee report (continued)

8. Application of King IV

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

9. Group annual financial statements

The committee assists the board with all financial reporting and reviews the group annual financial statements as well as trading statements, preliminary results announcements and interim financial information. The committee has considered Annexure 3 of the JSE 2021 report on proactive monitoring of financial statements, and where necessary those of previous periods, and taking appropriate action to respond to these findings when preparing the annual financial statements for the year ended 30 June 2022.

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

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

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

10. Conclusion

This was certainly not a year where it was business as usual at Ascendis. The board, the committee and management have worked with great effort in managing and restructuring the business to ensure its sustainability. This involved constant monitoring by the board on disposal activities, the debt recapitalisation and issues of solvency and liquidity. On a personal note, I thank the Ascendis team members for their tireless efforts over the past year. The committee is satisfied that it has discharged its duties and responsibilities as required by the Companies Act and that it has functioned in accordance with its terms of reference for the 2022 financial year.

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

On behalf of the committee:



B Harie
Chairman of the audit and risk committee
Johannesburg
28 September 2022

Directors' report

The directors are pleased to submit their report on the group annual financial statements of Ascendis Health Limited and the group for the year ended 30 June 2022.

1. Nature of business and overview of the disposals

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

During the current year under review, the group concluded the following disposals:

Farmalider: The transaction was concluded on 8 July 2021. The business was disposed for €5 million (R86 million).

AHIH Group (group recapitalisation): The group concluded the group recapitalisation on 21 October 2021. The AHIH group, with a net asset value of R5.6 billion was disposed in exchange for the repayment of debt with a carrying value of R6.5 billion and extinguishing the Remedica deferred vendor liability of R758 million.

Respiratory Care Africa: The transaction was concluded on 31 October 2021. The business was disposed for effectively R439 million. The disposal proceeds were applied towards repayment of the senior debt as part of the group recapitalisation.

Animal Health: The transaction was concluded on 30 November 2021. The business was disposed for effectively R738 million. The disposal proceeds were applied to repay the deferred vendor liability of R129 million and the balance applied to reduce the senior debt as part of the group recapitalisation.

Ascendis Skin and Body (Nimue): The transaction was concluded on 31 May 2022. The business was disposed for R102 million. The disposal proceeds were applied to reduce the Austell facility.

At 30 June 2022, the group had only the South African businesses remaining i.e., Pharma, Medical Devices and Consumer Health. However, the disposal of Pharma is at an advanced stage, with the shareholder vote expected to take place in October 2022. The proceeds from this disposal will be set off against the Austell facility.

The transactions above have enabled the group to substantially reduce the outstanding senior debt, with closing balance at 30 June 2022 of R498 million compared to 30 June 2021 of R6.7 billion. Further, the transition of funders from Letter One / Blantyre and ultimately to Austell have enabled an improvement in the debt terms, with effective interest rate of 16.62 % (post group recapitalisation), reduced to an effective interest rate of 12.41%.

Directors' report

1. Nature of business and overview of the disposals (continued)

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

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

2. Review of financial activities

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

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

Group revenue from continuing operations decreased by 15% from R1 825 million (restated) in the prior year to R1 559 million for the current year, driven by lower revenue performance in Consumer Health and The Scientific Group (a part of the Medical Devices segment). Consumer Health was impacted by a reduction in vitamin and supplement sales off the back of solid performance during COVID. The Scientific Group was negatively impacted by the change in use of NGO funding in the rest of Africa from COVID related diagnostics.

Despite the reduction in revenue, the group improved its GP% from 38.0% to 40.9%, driven by favourable sales mix in Medical Devices as well as the disposal of Dezzo in the prior year which generated a lower gross profit margin.

Operating expenses decreased by 29% from R1 129.7 million to R802.6 million and includes transaction and restructuring related costs of R81.2 million (June 2021: R270.9 million). Administrative costs include R95.0 million related to Head Office (June 2021: R143.4 million). FY2022 saw the group continue with its transition from a global business with seven segments to a local group with three segments due to the disposal of the other segments during the current financial year. The board has put in place a transition structure with a Chief Transition Officer responsible for accelerating the move to a fit for purpose operating model, supported by the appropriate funding structures within operations. This process is expected to result in a reduction in costs across the remaining group.

The group reported a loss after tax from continuing operations for the year ended 2022 of R758 million, which is an improvement on the prior year's loss after tax from continuing operations of R1 655 million (restated), on a like-for-like basis. The improvement in the loss from continuing operations was driven predominantly by the reduction in transaction and restructuring related costs as well as lower finance costs.

Directors' report

2. Review of financial activities (continued)

Finance costs decreased to R485 million (30 June 2021: R1 085 million) largely as a result of the reduction in debt during the current year. The loss per share from continuing operations closed at -157.3 cents (30 June 2021: -351.1 cents) and normalised headline loss per share from continuing operations closed at -109.4 cents (30 June 2021: -282.0 cents).

The results of the disposed entities i.e., the offshore divisions, Animal Health, Respiratory Care Africa (RCA) (a part of the Medical Devices segment) and Ascendis Skin and Body (a part of the Consumer Health segment) are included only up to the effective date of disposal and are classified as discontinued operations in line with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). Profit from discontinued operations that were classified as discontinued operations in the prior year (historical discontinued operations) increased by 100% to R1 121.9 million (30 June 2021: R561.2 million). The profit reported constitutes of the profit on disposal of R944.3 million and R177.5 million relating to the normal operations of each business up to the respective dates of disposal.

Profit from discontinued operations that were classified as discontinued operations in the current year (new discontinued operations) increased by 123% to R86.4 million (30 June 2021: R38.7 million). The profit reported constitutes of the profit on disposal of Ascendis Skin and Body of R68.6 million and R20.7 million relating to the normal operations of the business for the current year.

Transaction and restructuring related costs included in discontinued operations amounted to R254.1 million as compared to R180.9 million in the prior year. These costs include R195.0 million (30 June 2021: 142.0 million) incurred on the group recapitalisation up to October 2021. The balance of R58.7 million (2021: R38.9 million) relates to advisory and transactions costs on the other disposed entities.

Full details of the financial results are set out in these group annual financial statements and accompanying notes for the year ended 30 June 2022.

3. Stated capital

Authorised number of shares	30 June 2022	30 June 2021
Ordinary shares	2 000 000 000	2 000 000 000

Issued and fully paid up number of shares	30 June 2022	30 June 2021
Ordinary shares	489 469 959	489 469 959

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

Directors' report (continued)

4. Directorate

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

Directors	Office	Designation	Changes
CJ Kujenga	Interim chief executive officer and chief financial officer [#]	Executive	
HJ Smit	Chairman	Independent non-executive	Appointed 20 December 2021
SL Mulaudzi	Member	Non-executive	Appointed 20 December 2021
K Wellner	Member	Independent non-executive	Appointed 20 December 2021
A Chetty	Member	Independent non-executive	Appointed 11 May 2022
B Harie	Member	Independent non-executive	Appointed 11 May 2022
AC Neethling	Member	Non-executive	Appointed 11 May 2022*

*Subsequent to year end, the director was appointed to executive chief transition officer and acting CEO on 13 September 2022

[#]Stepped down as interim CEO on 13 September 2022

5. Directors' interests in shares

As at 30 June 2022, the directors of the group held direct and indirect beneficial interests in 16.5% (2021: 0.2%) of its issued ordinary shares, as set out in the table below.

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

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

2022 Directors	Direct beneficial shares	Indirect beneficial shares ⁽¹⁾	Indirect non-beneficial shares ⁽²⁾	Total
SL Mulaudzi	-	56 321 482	-	56 321 482
CA Neethling	7 013 806	15 569 699	-	22 583 505
K Wellner	1 278 124	-	2 365	1 280 489
H Smit	220 000	-	-	220 000
B Harie	3 548	189 600	6 535	199 683
Total	8 515 478	72 080 781	8 900	80 605 159

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

5. Directors' interests in shares (continued)

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

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

Refer to note 32 on the directors' interest in shares as at 30 June 2022 and 30 June 2021 and relevant related party information.

On 22 August 2022, the following changes in the director's interest took place upon completion of the rights offer:

- B Harie acquired 1 054 direct shares and 56 323 indirect beneficial shares.
- H Smit acquired 210 354 direct shares.
- C Neethling acquired 2 083 544 direct shares and 39 390 395 indirect beneficial shares.

The direct and indirect beneficiary interests held by directors increased to 25%.

6. Going concern

The group annual financial statements have been prepared on a going concern basis. The directors acknowledge the group's precarious financial position resulting from debt facility that has is due in November 2022 and the Pharma disposal that is still in process.

The directors have considered various mitigating factors against the material uncertainty related to going concern. This includes the outcome of the rights issue in August 2022, the continued support of the lenders, shareholders, suppliers and customers and the probability of successfully concluding the Pharma disposal. They have also considered the financial plans and forecasts, and the strategies that will enable the business to deliver against these plans.

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

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

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

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

7. Interests in subsidiaries

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

8. Assessment of macro-economic factors

Covid-19 – During the current year, Covid-19 had very limited impact on the group as there were no hard lockdowns or restrictions that were enforced and vaccines were rolled out.

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

KwaZulu-Natal floods – the floods that were experienced during the first half of the calendar year had very low impact on the group.

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

9. Events after the reporting period

Refer to note 34 in the group annual financial statements for details regarding events after reporting date.

10. Secretary

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

11. Dividends

The board of directors did not declare any interim or final dividend for the year ended 30 June 2022 (2021: Rnil).

12. Special Resolutions

The following special resolutions were approved at the AGM held on 20 December 2021:

- Special Resolution Number 1 – Approval of independent non-executive directors' remuneration for the 2022 financial year.
- Special Resolution Number 2 – Approval of financial assistance in terms of section 44 of the Companies Act.
- Special Resolution Number 3 – Approval of financial assistance in terms of section 45 of the Companies Act.

Group statement of profit or loss

for the year ended 30 June 2022

			Restated ⁽¹⁾
		2022	2021
	Notes	R'000	R'000
Continuing operations			
Revenue	9	1 559 458	1 825 469
Cost of sales		(921 724)	(1 132 157)
Gross profit		637 734	693 312
Other income		17 234	55 663
Selling and distribution costs		(113 897)	(109 249)
Administrative expenses		(472 356)	(557 667)
Net impairment loss on financial assets		(1 110)	(19 129)
Other operating expenses		(134 185)	(172 716)
Transaction and restructuring related costs ⁽²⁾		(81 062)	(270 931)
Net impairment loss on assets ⁽³⁾		(169 800)	(85 947)
Operating loss	10	(317 442)	(466 664)
Finance income	11	6 699	4 680
Finance costs	11	(484 649)	(1 084 204)
Loss before taxation		(795 392)	(1 546 188)
Tax credit/(expense)	12	37 303	(108 678)
Loss from continuing operations		(758 089)	(1 654 866)
Profit from discontinuing operations	5	1 208 235	599 899
Profit/(loss) for the period		450 146	(1 054 967)
Profit/(loss) attributable to:			
Owners of the parent		449 200	(1 090 804)
Continuing operations		(759 035)	(1 690 703)
Discontinued operations		1 208 235	599 899
Non-controlling interest	29	946	35 837
		450 146	(1 054 967)
Loss per share from continuing operations			
Basic and diluted loss per share (cents)	8	(157.3)	(351.1)
Total profit/(loss) per share			
Basic and diluted profit/(loss) per share (cents)	8	93.1	(226.5)

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

⁽²⁾ This was previously presented as once-off costs. These costs are part of administrative expenses.

⁽³⁾ These costs are part of other operating expenses.

Group statement of comprehensive income

for the year ended 30 June 2022

	2022 R'000	Restated ⁽¹⁾ 2021 R'000
Profit/(loss) for the period	450 146	(1 054 967)
Other comprehensive income:		
Items that may be reclassified to profit and loss net of tax		
Foreign currency translation reserve	(17 397)	159 765
Disposal and deregistration of foreign operations	(373 683)	-
Items that will not be reclassified to profit and loss net of tax		
Revaluation of property, plant and equipment	-	3 640
Income tax relating to items that will not be reclassified	-	(1 019)
Other comprehensive (loss)/income for the period net of tax	(391 080)	162 386
Total comprehensive income/(loss) for the period	59 066	(892 581)
Total comprehensive income/(loss) attributable to:		
Owners of the parent	58 120	(928 418)
Continuing operations	(757 460)	(1 691 353)
Discontinued operations	815 580	762 935
Non-controlling interest	946	35 837
	59 066	(892 581)

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

Group statement of financial position

at 30 June 2022

	Notes	2022 R'000	2021 R'000
ASSETS			
Property, plant and equipment	13	231 391	200 505
Right-of-use assets	14	115 432	157 675
Intangible assets and goodwill	15	116 308	363 666
Other financial assets	16	7 622	13 951
Deferred tax assets	17	48 281	68 356
Non-current assets		519 034	804 153
Inventories	18	371 866	454 049
Trade and other receivables	19	339 174	407 344
Other financial assets	16	51 017	14
Current tax receivable	28	20 909	25 895
Derivative financial assets		3 065	-
Cash and cash equivalents	20	213 020	365 980
		999 051	1 253 282
Assets classified as held for sale	5	159 513	8 577 531
Current assets		1 158 564	9 830 813
Total assets		1 677 598	10 634 966
EQUITY			
Stated capital	25	6 036 471	6 017 784
Reserves		(714)	465 516
Accumulated loss		(5 633 954)	(6 136 763)
Equity attributable to equity holders of parent		401 803	346 537
Non-controlling interest	29	-	167 232
Total equity		401 803	513 769
LIABILITIES			
Borrowings and other financial liabilities	3	22 131	8 222
Deferred tax liabilities	17	24 774	76 770
Lease liabilities	24	140 272	165 300
Non-current liabilities		187 177	250 292
Trade and other payables	21	423 560	522 753
Borrowings and other financial liabilities	3	521 538	6 784 252
Deferred vendor liabilities	4	-	116 808
Provisions	22	18 204	45 904
Contract liabilities	23	16 792	15 241
Lease liabilities	24	10 817	27 973
Derivative financial liabilities		-	2 773
Current tax payable	28	14 602	29 146
Bank overdraft	20	-	69
		1 005 513	7 544 919
Liabilities classified as held for sale	5	83 105	2 325 986
Current liabilities		1 088 618	9 870 905
Total liabilities		1 275 795	10 121 197
Total equity and liabilities		1 677 598	10 634 966

Group statement of changes in equity

for the year ended 30 June 2022

R'000	Stated capital	Foreign currency translation reserve	Revaluation reserve	Other reserves ⁽¹⁾	Retained income/(Accumulated loss)	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance as at 1 July 2020	5 975 703	217 875	31 395	(6 044)	(4 925 308)	1 293 621	127 138	1 420 759
(Loss)/profit for the period	-	-	-	-	(1 090 804)	(1 090 804)	35 837	(1 054 967)
Other comprehensive income	-	159 765	2 621	-	-	162 386	-	162 386
Total comprehensive income/(loss) for the period	-	159 765	2 621	-	(1 090 804)	(928 418)	35 837	(892 581)
Release of treasury shares ⁽³⁾	42 081	-	-	-	(42 081)	-	-	-
Dividends	-	-	-	-	-	-	(2 791)	(2 791)
Foreign currency translation reserve	-	(4 493)	(1 817)	(9 072)	-	(15 382)	4 493	(10 889)
Reclassification of reserves into retained earnings	-	16 875	(4 147)	63 415	(78 854)	(2 711)	2 711	-
Disposal/deregistration of subsidiary	-	-	(278)	-	-	(278)	-	(278)
Disposal of non-controlling interest	-	-	-	-	-	-	(451)	(451)
Statutory reserve: Farmalider	-	-	-	(579)	284	(295)	295	-
Total contributions by and distributions to owners of the group recognised directly in equity	42 081	12 382	(6 242)	53 764	(120 651)	(18 666)	4 257	(14 409)
Balance as at 30 June 2021	6 017 784	390 022	27 774	47 720	(6 136 763)	346 537	167 232	513 769
Profit for the period	-	-	-	-	449 200	449 200	946	450 146
Other comprehensive loss	-	(391 080)	-	-	-	(391 080)	-	(391 080)
Total comprehensive (loss)/income for the period	-	(391 080)	-	-	449 200	58 120	946	59 066
Appraisal rights payments ⁽²⁾	(2 120)	-	-	-	-	(2 120)	-	(2 120)
Release of treasury shares ⁽³⁾	20 807	-	-	-	(20 807)	-	-	-
Foreign currency translation reserve	-	-	193	565	(1 492)	(734)	-	(734)
Reclassification of reserves into retained earnings	-	-	(8 921)	(66 987)	75 908	-	-	-
Disposal/deregistration of subsidiary	-	-	-	-	-	-	-	-
Disposal of non-controlling interest	-	-	-	-	-	-	(168 178)	(168 178)
Total contributions by and distributions to owners of the group recognised directly in equity	18 687	-	(8 728)	(66 422)	53 609	(2 854)	(168 178)	(171 032)
Balance as at 30 June 2022	6 036 471	(1 058)	19 046	(18 702)	(5 633 954)	401 803	-	401 803

⁽¹⁾ Refer to note 26 for more details on other reserves.

⁽²⁾ These amounts relate to the buy back of the appraisal rights from dissenting shareholders. Refer to note 25 for more information.

⁽³⁾ Treasury shares to the value of R20.8 million (30 June 2021: R42.1 million) have been released to equity in the current year. Refer to note 25 for more information.

Group cash flow statement

for the year ended 30 June 2022

			Restated ⁽¹⁾
		2022	2021
	Notes	R'000	R'000
Cash flows from operating activities			
Cash (utilised by)/generated from operations	27	(102 871)	(4 593)
Cash generated from/(utilised by) operations - discontinued operations		124 026	821 949
Interest income received		5 615	4 681
Interest paid		(106 671)	(165 987)
Income taxes paid	28	(13 688)	(9 573)
Net cash (outflow)/inflow from operating activities		(93 589)	646 477
Cash flows from investing activities			
Purchases of property, plant and equipment		(55 549)	(38 565)
Proceeds on the sale of property, plant and equipment		6 896	368
Purchases of intangibles assets		(254)	(117)
Proceeds on the sale of intangible assets		-	23 286
Proceeds from disposal of other financial assets		-	2 639
Net cash inflow/(outflow) from investing activities - discontinued operations		1 093 716	(255 662)
Proceeds from disposal of subsidiaries - net of cash		1 188 993	170 205
Cash outflow from investing activities - discontinued operations		(95 277)	(425 867)
Net cash inflow/(outflow) from investing activities		1 044 809	(268 051)
Cash flows from financing activities			
Payments made to acquire treasury shares		(2 120)	-
Proceeds from borrowings raised		48 730	150 649
Repayment of borrowings		(1 135 679)	(86 798)
Repayments on deferred vendor liabilities		(120 947)	(12 000)
Lease liabilities repaid	24	(26 686)	(35 211)
Net cash outflow from financing activities - discontinued operations		(36 729)	(283 518)
Net cash outflow from financing activities		(1 273 431)	(266 878)
Net increase/(decrease) in cash and cash equivalents		(322 211)	111 548
Restricted cash balance at the beginning of the period		60 442	75 057
Other cash and cash equivalents balance at the beginning of the period		305 469	268 926
Cash and cash equivalents at beginning of period		365 911	343 983
Effect of exchange difference on cash balances		(1 953)	24 111
Cash and cash equivalents at the beginning of the period - assets held for sale	5	175 675	61 944
Cash and cash equivalents at end of period - assets held for sale	5	(4 402)	(175 675)
Restricted cash balance at the end of the period		64 060	60 442
Cash and cash equivalents balance at the end of the period		148 960	305 469
Cash and cash equivalents at end of period	20	213 020	365 911

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

Accounting policies

for the year ended 30 June 2022

Corporate information

Ascendis Health Limited is a health and wellness company listed in the healthcare sector of the JSE. The group had a global divisional operating model comprising of Pharma, Medical Devices, Consumer Healthcare and Animal Health. The group's operations were geographically split across Southern Africa, Cyprus (Remedica), Romania (Ascendis Wellness) and Spain (Farmalider). The group mainly focuses on supplying pharmaceutical and animal health products, as well as clinical and diagnostic medical devices. During the current financial year, the group disposed of its Animal Health, European Consumer Healthcare (Ascendis Wellness) and the European Pharma (Remedica and Farmalider) businesses. As at year end, the group has the Pharma Africa, Medical Devices and Consumer Healthcare Africa (excluding Ascendis Skin and Body) businesses remaining.

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

Basis of preparation

The group annual financial statements as at 30 June 2022 comprise of the company and its subsidiaries (together referred to as the group). The group annual financial statements have been audited in terms of the Companies Act. The audited group annual financial statements for the year ended 30 June 2022 have been prepared under the supervision of chief financial officer, Cheryl-Jane Kujenga CA (SA).

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

The following new or revised standards became effective in the current period but had no significant impact on the financial position or performance of the group:

- Covid-19 – Related Rent Concessions – Amendment to IFRS 16
- Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39 and IFRS 7
The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Reserve Bank ("SARB") has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. This reform is at various stages globally, a suitable alternative for South Africa is only expected to be announced in future. Although there is currently no indication as to when JIBAR will be replaced, several proposed ARR and calculation methodologies have been released by the South African Reserve Bank (SARB). The expected replacement rate is the South African Rand Overnight Index Average (ZARONIA) being the preferred replacement rate of the Market Practitioners Group (MPG) Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.

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

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

Accounting policies

for the year ended 30 June 2022

Performance measures

Performance measures (PM's) are not defined or specified per the requirements of IFRS but are derived from the financial statements prepared in accordance with IFRS. They are consistent with how the group's performance is measured and reported internally to assist in providing meaningful analyses. The PM's are used to improve comparability of information between reporting periods and segments by adjusting for infrequent items. The key PM's used by the group are normalised EBITDA (refer to note 7), normalised operating profit and normalised headline earnings per share (refer to note 8) and adjusted EBITDA. PM's disclosed may not be comparable with similar labelled measures and disclosures provided by other entities and users should not use them in isolation or as a substitute for other measures. They are not intended to be projections or forecasts of future results. The directors confirm that they have considered the principles of the JSE's proposed practice note 4/2019 as it relates to the PMs presented. Detailed disclosure of the performance measures is included on the Ascendis Health website: <https://ascendishealth.com/wp-content/uploads/2020/09/Ascendis-Health-Performance-Measures-30-June-2020.pdf>.

Restatements for the year ended 30 June 2021

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

The groups entities listed below have been identified for divestment during the current year and hence they are classified as held-for-sale and discontinued operations in terms of the requirements of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5). As a result, the June 2021 statement of profit or loss and statement of cash flow have been restated to reflect the IFRS 5 classification. Refer to note 5 for more details.

- Pharma Africa – *classified as at 1 December 2021.*
- Ascendis Skin and Body – *classified as at 31 December 2021.*

The impact of the discontinued operations restatements are set out below:

2021	Discontinued operations			
	Reported	Pharma	Ascendis Skin and Body	Restated
Statement of profit or loss and other comprehensive income	R'000	R'000	R'000	R'000
Revenue	2 229 085	(309 616)	(94 000)	1 825 469
Cost of sales	(1 298 406)	143 340	22 909	(1 132 157)
Gross profit	930 679	(166 276)	(71 091)	693 312
Expenses	(1 381 139)	161 510	59 653	(1 159 976)
Net finance cost	(1 080 315)	490	301	(1 079 524)
Income tax	(85 350)	(14 051)	(9 277)	(108 678)
Loss from continuing operations	(1 616 125)	(18 327)	(20 414)	(1 654 866)
Profit from discontinued operations	561 158	18 327	20 414	599 899
Loss for the year	(1 054 967)	-	-	(1 054 967)
Continuing operations - Basic loss per share (cents)	(343.1)	-	-	(351.1)

Accounting policies (continued)

for the year ended 30 June 2022

Principal accounting policies

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

Consolidation of subsidiaries

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

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

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

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

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

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

Foreign currency

Each foreign entity in the group determines its own functional currency. The group owned the following entities which were disposed during the current financial year and they operated in primary economic environments that are different to the group:

- Farmalider – Spain (Euro)
- Remedica – Cyprus (Euro)
- Ascendis Wellness – Romania (Romanian Leu)
- Ascendis Health International Holdings – Malta (Euro)
- Ascendis Financial Services International – Luxembourg (Euro)
- Ascendis Financial Services Europe – Cyprus (Euro)

Accounting policies (continued)

for the year ended 30 June 2022

Principal accounting policies (continued)

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

Translations and balances

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

Group companies

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

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

The exchange rates relevant to the group are disclosed in note 30.

Employee benefit expense

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

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

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

Accounting policies (continued)

for the year ended 30 June 2022

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

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

- **Annual Improvements to IFRS Standards 2018 - 2020**
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41. This is effective for accounting periods commencing on or after 1 January 2022.
- **Business Combinations**
Reference to the Conceptual Framework - Amendments to IFRS 3 *Business Combinations*. This is effective for accounting periods commencing on or after 1 January 2022
- **Property, Plant and Equipment: Proceeds before Intended Use**
Amendments to IAS 16: *Property, plant and equipment*. This is effective for accounting periods commencing on or after 1 January 2022.
- **Definition of Accounting Estimates**
Amendments to IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*. This is effective for accounting periods commencing on or after 1 January 2023.
- **Fees in the '10 per cent' test for derecognition of financial liabilities**
Annual improvements to IFRS Standards 2018 - IFRS 9. This is effective for accounting periods commencing on or after 1 January 2022.
- **Onerous Contracts – Costs of Fulfilling a Contract:**
Amendments to IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. This is effective for accounting periods commencing on or after 1 January 2022.
- **Reference to the Conceptual Framework (Amendments to IFRS 3)**
The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. This is for accounting periods commencing on or after 1 January 2022.
- **Classification of Liabilities as Current or Non-current**
Amendments to IAS 1: *Presentation of Financial Statements*. This is effective for accounting periods commencing on or after 1 January 2023.
- **Disclosure of Accounting Policies**
Amendments to IAS 1 and IFRS Practice Statement 2. This is for accounting periods commencing on or after 1 January 2023.
- **Deferred tax related to assets and liabilities arising from a single transaction**
Amendments to IAS 12. This is for accounting periods commencing on or after 1 January 2023.

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

Notes to the group annual financial statements

for the year ended 30 June 2022

1. Going concern

In determining the appropriate basis of preparation of the group annual financial statements, the directors are required to consider whether the group and the company can continue to operate for the foreseeable future, being at least the 12 months following 30 June 2022.

On 30 June 2022 the group's debt was classified as current in line with the terms of the Austell Facility as outlined below. Despite this classification, the group's current assets exceed the current liabilities by R69.9 million meaning that the group is in a liquid position. However, and as outlined further below, if the group is unable to conclude the disposal of Pharma and settle the remainder of the debt, it will not have sufficient available funds to repay the lenders by 17 November 2022. This position reflects a material uncertainty that casts significant doubt on the group's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In making the going concern assessment, the directors have considered the year-to-date performance of the underlying operations, the available liquidity to support ongoing operational requirements, the outcome from the rights offer which took place in August 2022, together with progress on, and expected outcomes from the Pharma disposal and commercial refinance as described in further detail below.

The directors have also considered the group's structure and strategy for the remaining entities. The directors have concluded that the group can continue to operate as a going concern subject to the successful disposal of Pharma and refinance of the balance of the debt, and/or to provide working capital facilities.

1. Strategy and debt reduction

In October 2021, the group successfully concluded the debt restructure programme that was envisaged under the group recapitalisation programme led by the lenders, L1 Health and Blantyre. This resulted in the reduction of the debt that was outstanding on the senior facilities agreement ("SFA") and deferred vendor liabilities by €429 million (R7.3 billion). Further, L1 Health and Blantyre undertook to provide the group with new facilities. The group's total debt under these new facilities was R545 million on 31 December 2021.

On 20 December 2021, the lenders delivered a notice to the group confirming that the mandatory prepayment provision under the SFA had been triggered due to changes to the board of directors at the annual general meeting (the "2021 board changes"), and that as such, all outstanding utilisations of the facilities, together with accrued interest and all other amounts accrued and payable under the related finance documents, were immediately due and payable. As a result, the group entered into a forbearance agreement with the lenders. This ultimately culminated in the introduction of new lenders to the group as described below.

On 12 January 2022 a consortium incorporating Apex Management Services and Pharma-Q Holdings advanced a new facility in the amount of R550 million to the group, the proceeds of which were utilised to settle the debt owed to L1 Health and Blantyre ("Apex / Pharma-Q Loan Facility").

On 13 May 2022, the lenders delivered a notice to the group confirming that the mandatory prepayment provision under the SFA had been triggered due to changes to the board of directors at an extraordinary general meeting (the "2022 board changes"), and that as such, all outstanding utilisations of the facilities, together with accrued interest and all other amounts accrued and payable under the related finance documents, were immediately due and payable.

On 16 May 2022, the group entered into a new debt agreement with Austell Pharmaceuticals for the advancement of a new facility ("Austell Facility"). The new term facility amounted to R590 million and was used to settle the Apex / Pharma-Q Loan Facility and therefore the SFA in full.

The Austell Facility reduced the cost of borrowings significantly, with a cumulative saving on interest to 30 June 2022 of approximately R3.6 million. Most importantly, it provided an extension of the repayment timeline from 30 June 2022 to 17 November 2022 without the threat of enforcement.

Notes to the group annual financial statements

for the year ended 30 June 2022

1. Going concern (continued)

The disposal of Ascendis Skin and Body was implemented on 31 May 2022 and the proceeds were used to reduce the Austell Facility. Therefore, the group's total debt under the Austell Facility at 30 June 2022 was R498 million (total senior debt at 30 June 2021: R7.8 billion).

The extension of the debt repayment to November 2022, has allowed the board an opportunity to comprehensively review the prospects of the underlying operations versus the disposal valuations, and to consider the optimal strategic pathway for the group. Following this review, on 27 June 2022 it was announced that the Medical Devices disposal would not be proceeding, following a mutual agreement concluded between the parties to terminate the transaction. This allows the Board the chance to realise the potential growth opportunities it believes exist in the Medical Devices business.

On 19 July 2022, it was announced that Ascendis had concluded an agreement to dispose of Pharma to Austell for a purchase consideration of R410 million (the "Austell Pharma disposal"), a contingent transaction only implementable in the event that shareholders do not approve the Pharma-Q/Imperial Pharma disposal. The Pharma-Q/Imperial agreement as signed on 30 January 2022 provides a purchase consideration of R375 million. In September 2022, Austell increased the purchase consideration by a further R22 million from R410 million to R432 million.

Whilst the Pharma disposal is a Category 1 transaction requiring shareholder approval, the conclusion of these two agreements provides the board with a high level of certainty of a successful conclusion to the transaction. The Austell financing agreements cater for a set off of the gross proceeds against the debt, subject to any net working capital adjustments. Therefore, the application of this to the debt would result in a reduction of the debt as at 30 June 2022, to R66 million in an Austell Pharma Disposal transaction, and R123 million in a Pharma-Q/Imperial Pharma Disposal transaction, subject to adjustment for interest incurred up until the date the debt is settled and any closing net working capital adjustments.

On 25 July 2022, the group announced its intention to raise an amount of R101.53 million by way of a fully underwritten non-renounceable rights offer ("rights offer"), through an offer of 143 000 000 new Ascendis shares. The rights offer was concluded on 19 August 2022, and an amount of R101.53 million was raised. This amount is ring-fenced and forms part of the solution for the repayment of the debt and group liquidity requirements.

Advanced discussions regarding the early release of some or all of the R50 million, plus interest, which is currently held in escrow in respect of the disposal of the Animal Health division, as detailed in the circular issued to Ascendis shareholders on 3 September 2021 are underway.

As a result, it is anticipated that the combination of the Pharma disposal, application of the rights offer funds and the access to the Animal Health escrow funds, will be sufficient to extinguish the remaining debt and provide an injection of liquidity into the group.

The group has commenced engagements with commercial banks to provide net working capital facilities within the group companies at more commercially appropriate structures and rates.

2. Liquidity

Management prepares annual budgets for each business unit and head office. A revised forecast is provided for each business unit and head office quarterly. These revised forecasts take into consideration expected operational performance and working capital requirements. Group treasury manages liquidity and works closely with each business on ensuring accurate forecasting of cash inflows and cash requirements. 13-week cash flow forecasts are prepared weekly by the business units and reviewed by group treasury and are provided to the lenders monthly.

Treasury prepares a longer-term liquidity outlook covering a period of 12 months from the date of these group annual financial statements.

At 30 June 2022, the group's consolidated cash and cash equivalents totalled R213 million (including restricted cash of R64 million).

Notes to the group annual financial statements

for the year ended 30 June 2022

1. Going concern (continued)

The group has performed detailed analysis of its liquidity requirements to 30 June 2023. In performing this analysis, the following areas relating to the budgeted performance of the continuing operations were incorporated:

- Working capital requirements
- Capital expenditure required to support the 2023 financial year budgets
- Estimated costs related to the head office restructure that is currently in progress

The Animal Health escrow funds will be used towards funding the net working capital requirements of the remaining business.

Further, various sensitivity analyses have been performed on the liquidity forecasts. These scenarios reflect that the group has sufficient liquidity for the period to 30 June 2023.

3. Covenants

In terms of the Austell Facility, management is required to provide the lender with a quarterly covenant certificate. The certificate requires the group to report a single financial covenant ratio, being the maintenance of a monthly liquidity headroom of R10 million. This headroom requirement was met as at 30 June 2022.

4. Consequence of failure to implement the Pharma disposal

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

If the group is unable to implement the Pharma disposal, the group will need to find an alternative mechanism to ensure the debt can be repaid in full or face the risk that the lender will enforce their security should the debt not be repaid by 17 November 2022. The board determines the likelihood of this occurring as low based on:

- The fact that there are currently two bidders committed to the acquisition of the Pharma business, one of whom is the lender – Austell.
- The board has also considered the successful outcome of the rights offer, and the resultant reduction on the remaining outstanding debt.
- The group can access the majority of the R50 million Animal Health escrow funds.

Application of the amounts raised during the rights offer to the debt together with the escrow funds, supports the fact that the value of the group exceed the quantum of the debt.

Therefore, a combination of the successful disposal of Pharma, together with the rights offer proceeds and the escrow funds is sufficient to provide a complete solution to repay the debt.

Based on the above, the board does not believe that the historical threat of business rescue still exists.

Through ongoing communication and engagement with shareholders, the board, management and its transaction advisers are canvassing support to encourage shareholders to vote in favour of the Pharma disposal.

The Pharma disposal is conditional upon, inter alia, the relevant resolutions being approved by shareholders at the general meeting, as well as obtaining the relevant competition authority approval by 31 December 2022. The board is confident these conditions will be met.

Notes to the group annual financial statements

for the year ended 30 June 2022

1. Going concern (continued)

5. Outlook

With the prospect of balance sheet stability being restored, the board's focus is to optimise the current operations.

Medical Devices, which incorporates the three operating businesses The Scientific Group, Surgical Innovations and Ortho-Xact, has long-standing relationships and exclusive agency agreements with major multinational suppliers, and a network of blue chip and government clients.

- The Scientific Group is a diagnostic business that is focused on deepening and expanding its product portfolio as well as its geographical reach in its chosen markets in the rest of Africa. The recently awarded National Health Laboratory Service tender also provides upside potential for the business.
- Both Surgical Innovations and Ortho-Xact have reported year on year revenue growth and will have a focus to defend their market position, improve efficiencies and target profitable, cash generating growth opportunities.

The Consumer Health business is one of the largest vitamin, mineral and supplement suppliers in South Africa, with brands such as Solal, Vitaforce, Menacal, Bettaway and Junglevite being among the most established and recognised in their categories. The business also has a manufacturing capability in Gauteng, being one of only two South African Health Products Regulatory Authority accredited soft gel capsule manufacturers in the country.

- The business is making strides to take advantage of the country-wide trend to localise manufacturing, and the increasing industry trend for large retailers and pharmaceutical chains to have their own private label products. This is in conjunction with the drive to improve production and efficiencies, maximise infill rates and increase our investment into marketing and product development of existing brands.
- Innovation in The Compounding Pharmacy will see product expansion into the veterinary and skin categories to optimise the current facility, with a view to expand and scale this business over time.
- Chempure is a leading importer and distributor of speciality ingredients used in sports nutrition, food and beverages, health and wellness as well as personal care. The business is well positioned to bridge the supply chain shortages faced by these industries through its specialist procurement model.

The finalisation of the head office rationalisation in the first half of the 2023 financial year will ensure that a sustainable cost structure is embedded in the group. Further, the conclusion of the various disposals and debt restructuring activities will mean that the group does not continue to haemorrhage costs related to various advisors.

The group has also considered the effects of COVID-19, Russia-Ukraine conflict and the floods in KwaZulu-Natal and these do not have any impact on the going concern because they had very low impact on the operations of the group during the current year.

6. Conclusion

The directors acknowledge the group's financial position and the relevance of the going concern assessment in the context of the still to be concluded Pharma disposal.

The directors have considered various mitigating factors against the material uncertainty related to going concern. This includes the outcome from the rights offer in August 2022, the continued support of the lenders, shareholders, suppliers, agencies and customers and the probability of successfully concluding the disposal of the Pharma business. They have also considered the financial plans and forecasts, and the strategies that will enable the business to deliver against these plans.

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

2. Net debt^{PM}

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

	2022 R'000	2021 R'000
Cash and cash equivalents	213 020	365 980
Debt repayable within one year including bank overdrafts	(532 356)	(6 929 101)
Debt repayable after one year	(162 402)	(173 523)
Net debt^{PM}	(481 738)	(6 736 644)
Cash and cash equivalents	213 020	365 980
Gross debt - fixed interest rate	(196 594)	(385 789)
Gross debt - variable interest rate	(498 164)	(6 716 835)
Net debt^{PM}	(481 738)	(6 736 644)

Net debt^{PM} reconciliation

R'000	Cash and cash equivalents	Leases	Borrowings	Deferred vendor liabilities	Total
Net debt^{PM} as at 30 June 2020	343 983	(349 378)	(6 825 210)	(1 137 607)	(7 968 212)
Cashflows - principal / capital portion	173 493	71 760	(6 962)	202 079	440 370
Continuing operations		35 211	(63 851)	12 000	
Cash inflow		-	(150 649)	-	
Cash outflow		35 211	86 798	12 000	
Discontinued operations		36 549	56 889	190 079	
Foreign exchange adjustments	24 111	(16 738)	655 464	108 179	771 016
Transfer to held for sale	(175 675)	105 352	328 195	724 177	982 049
Other adjustments / movements ⁽¹⁾	-	(4 269)	(943 961)	(13 636)	(961 866)
Net debt^{PM} as at 30 June 2021	365 911	(193 273)	(6 792 474)	(116 808)	(6 736 644)
Cashflows - principal / capital portion	(122 727)	34 865	1 115 499	120 947	1 148 584
Continuing operations		26 686	1 086 949	120 947	
Cash inflow		-	(48 730)	-	
Cash outflow		26 686	1 135 679	120 947	
Discontinued operations		8 179	28 550	-	
Foreign exchange adjustments	-	(816)	(49 678)	-	(50 494)
Transfer to held for sale	(30 164)	921	(28 550)	-	(57 793)
Group capitalisation	-	-	6 492 494	-	6 492 494
Net reinstated debt ⁽¹⁾	-	-	(968 426)	-	(968 426)
Other adjustments / movements ⁽²⁾	-	7 214	(312 534)	(4 139)	(309 459)
Net debt^{PM} as at 30 June 2022	213 020	(151 089)	(543 669)	-	(481 738)

⁽¹⁾ This relates to the debt facilities that were reinstated upon completion of the group recapitalisation in October 2021.

⁽²⁾ This mainly relates to interest that has been capitalised to the liability account.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

3. Borrowings and other financial liabilities

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

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

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

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

The fair value is determined using the discounted cash flow models and approximates the carrying value. The key valuation inputs in the fair value assessment are the interest rate (unobservable) and credit risk (unobservable), making this a level 3 fair value assessment. More information on the fair value estimation and hierarchy are provided in note 31.

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

	2022 R'000	2021 R'000
Senior debt		
Euro denominated term loans	-	3 474 268
Euro denominated RCF	-	935 445
ZAR denominated term loans	498 164	1 828 564
ZAR denominated RCF	-	478 558
Total senior debt	498 164	6 716 835
Other Borrowings		
Other facilities	45 505	75 639
Total other debt	45 505	75 639
Total borrowings and other financial liabilities	543 669	6 792 474
The split between current and non-current borrowings and other financial liabilities		
Non-current liabilities	22 131	8 222
Current liabilities	521 538	6 784 252
	543 669	6 792 474

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

3. Borrowings and other financial liabilities (continued)

The current structure consists of a syndicated facility denominated in Rand.

On 21 October 2021 the group completed the group recapitalisation transaction with its lender consortium which resulted in the settlement of the debt facilities of R6 492 million for net assets with a carrying value of R5 643 million. As part of that transaction, the group entered into an amended and restated Senior Facilities Agreement (SFA) which provided for the settlement of its previous debt facilities and the advance of new debt facilities with a two year term. The new facilities advanced were Facility F, Facility G1, Facility G2 and Facility G3.

In December 2021, the Agent on behalf of the Lenders notified the company that as a result of changes to the board of directors without lender confirmation (the "2021 Board Changes"), the facilities together with accrued interest and all other amounts accrued and payable under the SFA were immediately due and payable.

As a result of the above-described mandatory prepayment provision being triggered, the group entered into a forbearance agreement with the Lenders on 21 December 2021. Pursuant to the forbearance agreement, the lenders agreed not to take enforcement action relating to the 2021 Board Changes provided certain milestones were achieved between 29 December 2021 and 28 February 2022. This change to the terms of these facilities did not result in a substantial modification and the terms were not substantially different from the original terms in terms of the requirements of IFRS 9. Therefore, the debt was not extinguished.

On 12 January 2022, the SFA was further amended and restated so as to provide for a new facility, Facility H with a new consortium of lenders (the "2022 Lender Consortium"). Facility H retained the terms, conditions, security and interest rate of the debt facilities as applicable as at 21 December 2021 save that the maturity date was extended to 31 January 2022. Facility H was used to settle Facility F, Facility G1, Facility G2 and Facility G3. The arrangements agreed with the 2022 Lender Consortium also resulted in the forbearance agreement of December 2021 no longer being of force and effect.

On 1 February 2022, the terms of the Facility H were revised to extend the maturity date to the earlier of 30 June 2022 or the completion of the planned divestments. The interest rate was reduced by 4%. This change to the terms of these facilities did not result in a substantial modification and the terms were not substantially different from the original terms in terms of the requirements of IFRS 9. Therefore, the debt was not extinguished.

On 13 May 2022, the 2022 Lender Consortium delivered a notice to the group confirming an immediate payment of Facility H as a result of the changes to the board of directors. The group then entered into another debt agreement with Austell Pharmaceuticals 'Austell' where Austell advanced a new facility, Facility G. Facility G amounted to R590 million which was used to settle Facility H in full. The 6 month facility matures on 17 November 2022 and interest is incurred JIBAR plus 4% (cash margin) plus 3.5% (PIK margin). Refer to the going concern disclosure, Note 1, for further details regarding the arrangement with the new lenders.

Covenants

The Austell agreement is subject to a monthly liquidity covenant test. The group has to maintain a Liquidity Headroom (unrestricted bank balances and undrawn committed facilities) of at least R10 million. The Liquidity Headroom as at year end is R148.96 million and therefore the group is compliant with the requirement set by the lenders.

The Austell agreement provides for a certain key milestone in respect of the disposal of the Pharma business units (disposal milestones). If this milestone is not fulfilled, then an interest rate ratchet of 2.5% is charged by the lenders on the outstanding balance.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

3. Borrowings and other financial liabilities (continued)

Security

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

- Ascendis Consumer Brands Proprietary Limited
- Ascendis Financial Services Proprietary Limited
- Ascendis Health Limited
- Ascendis Pharma Proprietary Limited*
- Ascendis Supply Chain Proprietary Limited
- Pharmachem Pharmaceuticals Proprietary Ltd*
- Ortho-Xact Proprietary Limited
- Chempure Proprietary Limited
- Surgical Innovations Proprietary Limited
- The Scientific Group Proprietary Limited
- Ascendis Health SA Holdings Proprietary Limited

* These entities have been proposed for divestment.

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

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

Other facilities

In addition to the syndicated facility outlined above, the group also has the following material borrowings as at 30 June 2022:

The TRS (total return swap) liability with ABSA Bank Limited consists of three tranches, the nominal amount of which was R81.7 million. Partial settlement took place in the period to 31 December 2020 and July 2021 reducing the outstanding balance to R36.5 million (30 June 2021: R59.0 million). Two tranches remain outstanding and are payable on 5 July annually with the next payment due on 5 July 2022 and ultimately maturing on 5 July 2023. These tranches carry a fixed interest rate between 9.33% and 9.91% per annum. Interest is paid bi-annually.

Also included in other South African borrowings is a distribution right obligation whereby the Medical Devices business is to pay a total of €1.8 million (circa R30.6 million) in six, half-yearly installments of €0.3 million (circa 5.1 million) each, to retain the exclusivity rights of sale of a particular supplier of medical equipment and associated training and educational support. The balance included in other South African borrowings was R9 million (30 June 2021: R21.0 million).

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

3. Borrowings and other financial liabilities (continued)

	2022 R'000	2021 R'000
Reconciliation of borrowings		
Capital portion of loans outstanding at beginning of period	6 792 474	6 825 210
New loans raised net of debt capitalisation fees		
Syndicated facility - Rand term loans	1 029 665	86 071
Syndicated facility - Euro term loans	-	64 736
Cyprus facility loan	-	85 213
Loans with financial institutions - Spain	-	94 662
Other facilities	-	28 300
Senior Debt - Rand term loans	587 850	-
Capitalised fees amortised	8 250	9 347
Capital settled		
Syndicated facility - South Africa term loans	(2 863 966)	(31 037)
Syndicated facility - Euro term loans and revolving credit facility	(4 458 492)	(27 901)
Rand revolving credit facility	(478 558)	-
Cyprus facility loan	-	(160 926)
Loans with financial institutions - Spain	-	(75 839)
Other facilities	(35 728)	(28 198)
Senior Debt - Rand term loans	(94 448)	-
Transferred to liabilities held for sale	-	(328 195)
Foreign currency translation	49 678	(655 283)
Capital portion of loans outstanding at period end	536 725	5 886 160
Interest accrued	6 944	906 314
Total loans outstanding at period end	543 669	6 792 474

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

4. Deferred vendor liabilities

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

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

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

All deferred vendor liabilities raised related to business combinations.

	2022 R'000	2021 R'000
Remedica Group	-	724 177
Kyron Group	-	116 808
Transfer to held for sale	-	(724 177)
	-	116 808
Current	-	116 808
Non-current	-	-
	-	116 808
Deferred consideration	-	116 808
	-	116 808

Kyron deferred vendor liability

Upon the disposal of the Animal Health entities (which included the Kyron entities) as at 30 November 2021, Ascendis settled the outstanding deferred vendor balance in full. The balance prior to settlement was R120.9 million which comprised of R99.3 million capital and R21.6 million late payment penalty interest (30 June 2021: R116.8 million, R99.3 million capital and R17.5 million late payment penalty interest).

Remedica deferred vendor liability

The deferred vendor liability was disposed as part of the group recapitalisation which was concluded on 31 October 2021.

5. Discontinued operations

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

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

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

5.1 Discontinued operations

The group has applied significant judgement on the successful implementation of the Pharma disposal, refer to the going concern note 1 for further details.

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

These are detailed below:

Pharma

As part of its commitment to reduce the overall debt burden, the Board of Directors took a decision in November 2021 to dispose of the Pharma business. This culminated in two bidders for the business.

Pharma was classified as held-for-sale and discontinued operation from 1 December 2021. The disposal transaction is expected to be completed by 31 October 2022

On 31 January 2022, the group signed a sale and purchase agreement with a consortium comprising Pharma-Q Proprietary Limited and Imperial Logistics Limited (Pharma-Q/Imperial). The total purchase consideration for the disposal was set at R375 million.

On 17 May 2022, the group entered into a new debt arrangement with Austell Pharmaceuticals Proprietary Limited (Austell) as outlined in note 3. The loan agreement includes the following as a key event of default:

“if (a) Shareholders do not approve of the sale of the Pharma business to Pharma-Q/Imperial; and (b) the group fails to execute a sale agreement for the disposal of the Pharma business unit to Austell (an Austell/Pharma Sale) within 2 Business Days thereafter”

5. Discontinued operations (continued)

5.1 Discontinued operations (continued)

Negotiations with Austell were well advanced at year end, and on 18 July, the group signed a sale and purchase agreement with Austell. The total purchase consideration for the disposal was set at R410 million. This sale and purchase agreement is conditional on shareholders not voting for the Pharma-Q/Imperial disposal.

5.2 Change of plan to sell

During the current year's interim reporting, the group classified Medical Devices as held-for-sale and discontinued operation. This was following the trigger of the Mandatory Prepayment Provision of the original SFA and the amended terms of the SFA for the group to be able to repay the debt advanced by the Apex and Pharma. The group entered into a sale agreement with Apex for the disposal of Medical Devices.

In May 2022, the group agreed to terminate the Medical Devices sales agreement with Apex. As a result, the business unit ceased to be held-for-sale and discontinued operation. The reclassification of the 2021 income statement amounts has been reversed. On the date of change of plan to sell, income statement and the balance sheet items were re-measured in terms of the requirements of IFRS 5.

5.3 Completed disposals

The following disposals have been completed during the year ended 30 June 2022:

Farmalider

The disposal was completed on 8 July 2021 for a consideration of €5 million (R86 million).

Respiratory Care Africa

The disposal was completed on 31 October 2021 for a consideration of R450 million. Total cash of R439 million was received upon completion and a further R5 million deferred and received in January 2022 in full and final settlement for the disposal transaction. The group returned R5.9 million to the buyers as part of the net working capital cash adjustment.

Animal Health

The disposal transaction was completed on 30 November 2021 for a consideration of R770 million constituting of upfront cash payment of R667 million, management short-term incentive adjustment of R3 million and contingent consideration of R100 million receivable. The contingent consideration was paid into two escrow accounts of R50 million in each account.

The amount in the first escrow account was due to be payable either to the buyers or the group depending on whether the target net working capital and capital expenditure was met. The amount was due to be paid upon completion of the external review of the take-on balances by the external auditors. The target net working capital was not met and only R18 million plus the interest earned was received at the end of January 2022.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

5. Discontinued operations (continued)

5.3 Completed disposals (continued)

The amount in the second escrow account is due to be payable on 30 November 2022 and it is being held as security for payment of any claims by the buyer against the group in respect of warranties and indemnities. The group recognised the R50 million in full as a receivable because it does not expect any such claims by the buyer against the group.

AHIH Group

The group concluded the group recapitalisation on 31 October 2021. The AHIH group, with a net asset value of R5.6 billion was disposed in exchange for the repayment of debt with a carrying value of R6.2 billion.

Ascendis Skin and Body (Nimue)

The disposal was concluded on 31 May 2022 for a consideration of R102 million in full and final settlement.

Refer to Disposal Note 6 for further details regarding the profit/loss on the disposals.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

5. Discontinued operations (continued)

2022

R'000	Animal Health	Respiratory Care Africa ⁽²⁾	Farmalider	AHIH Group ⁽³⁾	Historical Discontinued Operations	Pharma	Ascendis Skin and Body ⁽⁴⁾	New Discontinued Operations	Total
Revenue	266 560	193 990	-	999 848	1 460 398	383 777	73 710	457 487	1 917 885
Expenses	(213 271)	(152 909)	-	(901 120)	(1 267 300)	(368 151)	(67 556)	(435 707)	(1 703 007)
Profit/(loss) on sale of disposal group	126 592	181 464	(39 465)	675 751	944 342	-	68 559	68 559	1 012 901
Profit/(loss) before tax	179 881	222 545	(39 465)	774 479	1 137 440	15 626	74 713	90 339	1 227 779
Tax	(1 139)	9 204	-	(23 654)	(15 589)	(6 939)	2 984	(3 955)	(19 544)
Profit/(loss) after income tax expense of discontinued operations	178 742	231 749	(39 465)	750 825	1 121 851	8 687	77 697	86 384	1 208 235
Total comprehensive income/(loss)	178 742	231 749	(39 465)	750 825	1 121 851	8 687	77 697	86 384	1 208 235
Normalised EBITDA ^{PM}	68 378	47 202	-	303 459	419 039	52 914	10 846	63 760	482 799

Restated⁽¹⁾

2021

R'000	Biosciences	Ascendis Direct	Scitec	Animal Health	Respiratory Care Africa ⁽²⁾	Farmalider	AHIH Group ⁽³⁾	Historical Discontinued Operations	Pharma	Ascendis Skin and Body ⁽⁴⁾	New Discontinued Operations	Total
Revenue	324 578	5 003	131 841	571 825	986 078	633 604	3 330 701	5 983 630	309 616	94 000	403 616	6 387 246
Expenses	(186 455)	(5 602)	(114 590)	(427 712)	(777 604)	(565 985)	(2 763 264)	(4 841 212)	(305 341)	(82 862)	(388 203)	(5 229 415)
Profit/(loss) on sale of disposal group	34 131	(3 704)	(306 465)	-	-	-	-	(276 038)	-	-	-	(276 038)
Profit/(loss) before impairments	172 254	(4 303)	(289 214)	144 113	208 474	67 619	567 437	866 380	4 275	11 138	15 413	881 793
Impairments of assets	-	-	-	-	-	(32 695)	(23 256)	(55 951)	-	-	-	(55 951)
IFRS 5 remeasurement	(95 562)	-	-	-	-	-	-	(95 562)	-	-	-	(95 562)
Profit/(loss) before tax	76 692	(4 303)	(289 214)	144 113	208 474	34 924	544 181	714 867	4 275	11 138	15 413	730 280
Tax	(12 344)	6	(16 961)	(49 157)	(11 180)	6 587	(70 660)	(153 709)	14 051	9 277	23 328	(130 381)
Profit/(loss) after income tax expense of discontinued operation	64 348	(4 297)	(306 175)	94 956	197 294	41 511	473 521	561 158	18 326	20 415	38 741	599 899
Total comprehensive income/(loss)	64 348	(4 297)	(306 175)	94 956	197 294	41 511	473 521	561 158	18 326	20 415	38 741	599 899
Normalised EBITDA ^{PM}	47 264	(3 279)	18 799	147 484	213 350	89 677	918 127	1 431 422	17 751	20 060	37 811	1 469 233

⁽¹⁾ 30 June 2021 has been restated to reflect the restatement of Pharma and Ascendis Skin and Body which are classified as held for sale and a discontinued operation in terms of the requirement of IFRS 5.

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

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

⁽⁴⁾ Ascendis Skin and Body is included as part of Consumer Health segment in the segment reporting and it has been disclosed as a discontinued operation because it is a major separate line of business.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

5. Discontinued operations (continued)

Assets and liabilities classified as held for sale

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

	2022 R'000		2021 R'000				
R'000	Pharma	Total	Animal Health	Respiratory Care Africa	Farmalider	AHIH Group	Total
Property, plant and equipment	788	788	6 408	17 086	16 428	846 205	886 127
Intangible assets & goodwill	52 638	52 638	525 075	101 475	132 672	3 902 656	4 661 878
Right-of-use asset	-	-	21 521	97	37 253	51 385	110 256
Deferred tax asset	3 029	3 029	10 461	-	65 440	330	76 231
Inventories	27 904	27 904	130 827	112 104	132 857	590 152	965 940
Current income tax receivable	200	200	160	6 678	23 556	5 874	36 268
Trade and other receivables	70 359	70 359	77 355	138 800	144 510	1 246 341	1 607 006
Cash and cash equivalents	4 523	4 523	7 817	4 601	29 499	163 877	205 794
Other financial assets	72	72	34	1	11 779	16 217	28 031
Assets held for sale	159 513	159 513	779 658	380 842	593 994	6 823 037	8 577 531
Borrowings	(137)	(137)	-	-	(253 822)	(74 531)	(328 353)
Deferred vendor liabilities	-	-	-	-	-	(724 177)	(724 177)
Lease liabilities	-	-	(19 635)	-	(34 279)	(51 438)	(105 352)
Deferred tax liability	-	-	(83 507)	(1 190)	-	(177 462)	(262 159)
Trade and other payables	(78 612)	(78 612)	(67 480)	(82 400)	(126 330)	(515 483)	(791 693)
Provisions	(3 347)	(3 347)	(10 708)	(6 150)	-	(15 217)	(32 075)
Current Income tax payable	(887)	(887)	(14 401)	-	(9 667)	(27 991)	(52 059)
Bank overdraft	(122)	(122)	-	-	-	(30 118)	(30 118)
Liabilities held for sale	(83 105)	(83 105)	(195 731)	(89 740)	(424 098)	(1 616 417)	(2 325 986)
Net assets	76 408	76 408	583 927	291 102	169 896	5 206 620	6 251 545

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

6. Disposal of subsidiaries

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

- Farmalider – 8 July 2021
- Respiratory Care Africa – 31 October 2021
- Ascendis Health International Holdings (“AHIH group”) – 31 October 2021
- Animal Health – 30 November 2021 and
- Ascendis Skin and Body – 31 May 2022

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

6. Disposal of subsidiaries (continued)

2021

R'000	Biosciences	Dezzo	Ascendis Direct	Scitec	Total
Property, plant and equipment	-	73	18	-	91
Intangible assets and goodwill	3 164	-	-	-	3 164
Right-of-use assets	409	-	-	-	409
Deferred tax assets	10 849	1 342	8 581	1 402	22 174
Current income tax receivable	11 300	-	839	-	12 139
Inventories	63 244	66 863	-	183 518	313 625
Trade and other receivables	54 458	-	1 845	180 158	236 461
Other financial assets	6 972	-	-	-	6 972
Cash and cash equivalents	4 523	-	2 579	18 488	25 590
Total assets	154 919	68 278	13 862	383 566	620 625
Lease liabilities	(22 976)	-	(2 176)	(87 457)	(112 609)
Deferred tax liability	(23 578)	-	(47)	(70 457)	(94 082)
Trade and other payables	(52 090)	(33 289)	(3 329)	(128 866)	(217 574)
Provisions	(9 296)	(182)	(1 433)	(4 658)	(15 569)
Current income tax payable	-	-	(114)	(6 196)	(6 310)
Total liabilities	(107 940)	(33 471)	(7 099)	(297 634)	(446 144)
Carrying amount of net assets disposed	46 979	34 807	6 763	85 932	174 481
Foreign exchange differences	-	-	7 196	310 456	317 652
Total disposal consideration - cash	81 110	14 506	10 255	89 923	195 794
Gain/(loss) on disposal	34 131	(20 301)	(3 704)	(306 465)	(296 340)
Net cash					
Cash received	81 110	14 506	10 255	89 923	195 794
Less: Cash and cash equivalents balance of disposed subsidiaries	(4 523)	-	(2 579)	(18 488)	(25 590)
Net cash received on sale	76 587	14 506	7 676	71 435	170 204

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

7. Group segmental analysis

The group had five core health care areas, namely Consumer Health, Pharma, Medical Devices, Animal Health and Biosciences. The group disposed Animal Health and Biosciences businesses during the current year and prior year, respectively. The core health care areas were split into seven reportable segments that were used by the group executive committee as Chief Operating Decision Maker (CODM) to make key operating decisions, allocate resources and assess performance. During the current year, the group disposed four reportable segments, refer to note 5 and note 6 for further details with regards to the disposed entities. The CODM also reviews the discontinued operations until they have been disposed to ensure their performance is still assessed and resources allocated accordingly (Refer to note 5 for more details on discontinued operations). The reportable segments were split taking into account the nature of the products, production process, distribution channels, types of customers and the regulatory environment in which the business units operate.

The operating and reportable segments are as follows:

- **Consumer Health**, incorporating, Skin and Body as well as all of the Ascendis over-the-counter (OTC) and complementary and alternative consumer products. This division includes two reportable segments:
 - **Consumer Health Africa segment**: operating predominantly in the South African market. Ascendis Skin and Body was disposed on 31 May 2022. The Ascendis Skin and Body business unit which is a part of the Consumer Health segment has been disclosed as a discontinued operation because it is a major separate line of business.
 - **Sun Wave segment**: operating predominantly in Romania, the segment has been disclosed as a discontinued operation. The segment was disposed on 31 October 2021.
- **Pharma**, incorporating Ascendis' pharmaceutical products. This division includes three reportable segments:
 - **Pharma Africa segment**: operating predominantly in the South African market. The segment has been disclosed as a discontinued operations.
 - **Remedica segment**: operating predominantly in the European market, the segment has been disclosed as a discontinued operation. The segment was disposed on 31 October 2021.
 - **Farmalider segment**: operating predominantly in the Spanish market, the segment has been disclosed as a discontinued operation. The segment was disposed on 8 July 2021.
- **Medical Devices**, incorporating the supply of medical devices and consumables. The segment is operating predominantly in the South African market. The RCA business unit within the medical segment has been disclosed as a discontinued operation because it represents a separate major line of business. The RCA business unit was disposed on 31 October 2021.
- **Animal Health**, incorporating manufacturing and distribution of animal health products. The segment is operating predominantly in the South African market and has been disclosed as a discontinued operation. The segment was disposed on 30 November 2021.

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

There was no material inter-segment revenue.

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

7. Group segmental analysis (continued)

	2022	Restated ⁽¹⁾ 2021
Revenue split by segment	R'000	R'000
Consumer Health	1 079 772	1 867 692
Africa ⁽²⁾	637 613	673 220
Scitec	-	131 841
Sun Wave	442 159	1 062 631
Pharma	941 466	3 479 373
Africa	383 777	577 699
Remedica	557 689	2 268 070
Farmalider	-	633 604
Medical Devices ⁽³⁾	1 189 545	1 969 248
Animal Health	266 560	571 825
Biosciences	-	324 578
Less: Discontinued operations	(1 917 885)	(6 387 247)
Total revenue	1 559 458	1 825 469

Revenue by geographical location

South Africa	2 477 495	4 116 570
Cyprus	557 689	2 268 070
Spain	-	633 604
Hungary	-	131 841
Romania	442 159	1 062 631
Less: Discontinued operations	(1 917 885)	(6 387 247)
Total revenue	1 559 458	1 825 469

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

⁽²⁾ Includes revenue relating to Ascendis Skin and Body of R74 million (2021: R94 million).

⁽³⁾ Includes revenue relating to RCA of R194 million (2021: R986 million).

Revenue by customer destination

Africa	2 522 461	4 549 442
South Africa	2 360 235	3 898 818
Rest of Africa	162 226	650 625
Europe	808 377	2 839 949
Romania	446 802	1 075 267
Spain	1 275	430 792
Germany	23 295	109 652
Hungary	2 036	25 013
France	52 776	189 626
Cyprus	95 070	309 820
Other	187 123	699 780
Asia Pacific	98 424	547 265
Asia	90 641	505 569
Australia	2 535	22 901
New Zealand	5 248	18 795
United Kingdom	8 543	47 156
South America	31 609	90 578
North America	5 903	61 632
Other	2 026	76 694
Less: Discontinued operations	(1 917 885)	(6 387 248)
Total revenue	1 559 458	1 825 469

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

7. Group segmental analysis (continued)

The revenue presented by geographic location represents the domicile of the entity generating the revenue and revenue by customer destination represents the domicile of the customer.

28% of the group's revenue is generated through the wholesale and retail market (2021: 22%). In this market, there is no customer concentration risk and 4% (2021: 9%) of the group's revenue is generated from government institutions (local and international).

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

Normalised EBITDA ^{PM} split by segment	2022		Restated ⁽¹⁾ 2021	
	R'000	%	R'000	%
Consumer Health	242 968	23%	408 710	22%
Africa ⁽²⁾	74 712	12%	81 964	12%
Scitec	-		18 799	14%
Sun Wave	168 256	38%	307 947	29%
Pharma	188 159	0%	694 697	18%
Africa	52 926	14%	(6 273)	-1%
Remedica	135 233	24%	611 293	27%
Farmalider	-		89 677	14%
Medical Devices ⁽³⁾	92 107	8%	273 512	14%
Animal Health	68 378	6%	147 484	26%
Biosciences	-		47 264	15%
Head office	(95 565)	0%	(125 004)	
Other	-		(1 057)	
Less: Discontinued operations	(482 799)	25%	(1 470 015)	25%
Total normalised EBITDA^{PM}	13 248	1%	(24 409)	1%

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

(2) Includes R11 million (2021: R20 million) relating to Ascendis Skin and Body.

(3) Includes R47 million (2021: R214 million) relating to RCA.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

7. Group segmental analysis (continued)

	2022 R'000	Restated ⁽¹⁾ 2021 R'000
Reconciliation of normalised EBITDA^{PM} to consolidated results		
Consolidated loss before taxation from continuing operations	(795 392)	(1 546 186)
Finance income	(6 699)	(4 681)
Finance expense	484 649	1 084 204
Total impairment, amortisation and depreciation	249 628	171 322
EBITDA	(67 814)	(295 341)
Total transaction and restructuring related costs	81 062	270 932
Total normalised EBITDA^{PM}	13 248	(24 409)
Non-controlling interest proportionate share	-	-
Total normalised EBITDA^{PM} attributable to the parent	13 248	(24 409)

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

	2022 R'000		Restated ⁽¹⁾ 2021 R'000	
Net finance cost split by segment	Finance income	Finance expense	Finance income	Finance expense
Consumer Health	33	(1 650)	686	(24 250)
Africa	33	(1 650)	155	(2 938)
Sun Wave	-	-	531	(21 312)
Pharma	772	(10 273)	764	(38 678)
Africa	523	(751)	138	(55)
Remedica	249	(9 522)	394	(32 206)
Farmalider	-	-	232	(6 417)
Medical Devices	882	(26 575)	983	(23 216)
Animal Health	53	540	94	(4 255)
Biosciences	-	-	41	(3 344)
Head Office	5 805	(456 885)	3 800	(1 058 516)
Other	-	-	-	(717)
Less: Discontinued operations	(846)	10 194	(1 688)	68 772
Total finance income/(cost)	6 699	(484 649)	4 680	(1 084 204)

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

7. Group segmental analysis (continued)

	2022 R'000	Restated ⁽¹⁾ 2021 R'000
Tax expense split by segment		
Consumer Health	18 127	67 337
Africa	(4 979)	5 958
Scitec	-	16 961
Sun Wave	23 106	44 418
Pharma	8 415	1 629
Africa	7 866	(952)
Remedica	549	9 168
Farmalider	-	(6 587)
Medical Devices	5 574	66 189
Animal Health	16 998	49 157
Biosciences	-	9 730
Head office	(43 632)	68 346
Less: Discontinued operations	(42 785)	(153 710)
Total consolidated tax (credit)/expense	(37 303)	108 678

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

Statement of financial position measures applied

	2022 R'000		2021 R'000	
Assets and liabilities split by segment	Assets	Liabilities	Assets	Liabilities
Consumer Health	453 485	(93 417)	1 753 156	(319 476)
Africa	453 485	(93 417)	487 095	(145 617)
Sun Wave	-	-	1 266 061	(173 859)
Pharma	160 889	(83 123)	6 393 132	(2 744 363)
Africa	160 889	(83 123)	223 260	(93 641)
Remedica	-	-	5 575 879	(2 226 623)
Farmalider	-	-	593 993	(424 099)
Medical Devices	784 830	(455 284)	1 336 852	(507 830)
Animal Health	-	-	779 659	(195 731)
Biosciences	-	-	429	(726)
Head office	278 396	(643 971)	371 382	(6 353 072)
Other	-	-	356	-
Total consolidated assets and (liabilities)	1 677 600	(1 275 795)	10 634 966	(10 121 198)

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

	2022 R'000	2021 R'000
Fixed assets per geographic location		
South Africa	232 179	206 924
Assets held for sale	(788)	(6 419)
Fixed assets per geographic location	231 391	200 505

8. Earnings per share

Earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the profit after tax attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of shares in issue.

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after tax dilutive effect. During the current period, the group has determined that there are no instruments in issue that will have a potential dilutive effect to the issued ordinary shares. Based on this assessment, basic earnings per share also represents diluted earnings per share.

Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the period. The presentation of headline earnings is not an IFRS requirement, but is required by the JSE Listings Requirements and the SAICA Circular 1/2021.

Weighted average number of shares

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the period, increased by shares issued during the period weighted on a time basis for the period during which they have participated in the profit of the group. Shares which are held by a subsidiary company as treasury shares have been adjusted on a time basis when determining the weighted average number of shares in issue.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

8. Earnings per share (continued)

	2022 R'000			Restated ⁽¹⁾ 2021 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
(a) Basic loss per share						
Loss attributable to owners of the parent	(759 035)	1 208 235	449 200	(1 690 703)	599 899	(1 090 804)
Loss	(759 035)	1 208 235	449 200	(1 690 703)	599 899	(1 090 804)
Weighted average number of ordinary shares in issue			482 395 858			481 493 990
Basic loss per share (cents)	(157.3)	250.5	93.1	(351.1)	124.6	(226.5)
(b) Headline loss per share						
Loss attributable to owners of the parent	(759 035)	1 208 235	449 200	(1 690 703)	599 899	(1 090 804)
<i>Adjusted for:</i>						
Net (profit)/loss on the sale of property, plant and equipment	2 369	(207)	2 162	(450)	5 385	4 935
Tax effect	(739)	-	(739)	126	(455)	(329)
(Profit)/loss on disposal of subsidiary	51	(1 012 901)	(1 012 850)	-	296 340	296 340
Tax effect	(18)	4 514	4 496	-	-	-
Goodwill, intangible asset and tangible asset impairment	169 800	-	169 800	85 947	154 931	240 878
Tax effect	-	-	-	-	(957)	(957)
Impairment of loan	127	-	127	(6 665)	-	(6 665)
Headline (loss)/earnings	(587 445)	199 641	(387 804)	(1 611 745)	1 055 143	(556 602)
Weighted average number of shares in issue			482 395 858			481 493 990
Headline (loss)/earnings per share (cents)	(121.8)	41.4	(80.4)	(334.7)	219.1	(115.6)

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

8. Earnings per share (continued)

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

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

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

8. Earnings per share (continued)

	2022 R'000			Restated ⁽¹⁾ 2021 R'000		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Reconciliation of normalised headline earnings						
Headline (loss)/earnings	(587 445)	199 641	(387 804)	(1 611 745)	1 055 141	(556 604)
<i>Adjusted for</i>						
Disposal of businesses related costs	4 930	254 107	259 037	185 987	178 221	364 208
Debt/capital restructuring costs	16 252	-	16 252	60 836	-	60 836
Restructuring and retrenchment costs	59 754	-	59 754	30 773	2 616	33 389
Tax effect thereof	(21 282)	-	(21 282)	(25 651)	(941)	(26 592)
Normalised headline (loss)/earnings	(527 791)	453 748	(74 043)	(1 359 800)	1 235 037	(124 763)
Weighted average number of shares in issue			482 395 858			481 493 990
Normalised headline (loss)/earnings per share (cents)	(109.4)	94.1	(15.3)	(282.4)	256.5	(25.9)

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

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

9. Revenue

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

1. Revenue from contracts with customers

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

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

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

1.1 Sale of goods – wholesale

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

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

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

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

9. Revenue (continued)

1.1 Sale of goods – wholesale (continued)

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

1.2 Sale of goods – equipment

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

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

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

1.3 Sale of services – maintenance of equipment

The group provides maintenance services for the equipment that has been purchased by the customer as a separate service. Alternatively, the group offers an assurance-type warranty for the maintenance of the purchased equipment. Maintenance is considered to be a distinct service as it is both regularly supplied by the group to customers on a standalone basis and is available for customers from other providers in the market. A portion of the transaction price is allocated to maintenance service based on the standalone selling prices of the components. The group recognises a contract liability for the services that have not been performed at year end. Refer to note 23 for the balance of the warranty liability as at 30 June 2022.

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

Significant judgement and estimates in revenue recognition

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

9. Revenue (continued)

Financing component

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

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

2. Revenue from rental income

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

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

The breakdown of revenue from all activities is as follows:

	2022 R'000	Restated ⁽¹⁾ 2021 R'000
Revenue		
Revenue from contracts with customers⁽²⁾		
Sale of goods - wholesale	1 338 317	1 622 294
Sale of equipment	104 775	82 164
Rendering of service	16 627	10 298
	1 459 719	1 714 756
Timing of revenue: revenue from contracts with customers		
Products transferred at a point in time	1 443 092	1 704 458
Services transferred over time	16 627	10 298
	1 459 719	1 714 756
Rental income	99 739	110 713
Total revenue	1 559 458	1 825 469

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

10. Other income and expenses by nature

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

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

	2022	Restated ⁽¹⁾ 2021
	R'000	R'000
Other income		
Rental income ⁽³⁾	15 826	13 061
Legal settlement	525	6 816
Profit on the disposal of property, plant and equipment	275	449
Other income	608	5 436
Deferred vendor liability remeasurement	-	22 499
Profit on exchange differences	-	7 402
	17 234	55 663
Expenses by nature	R'000	R'000
Administration costs	131 678	143 730
Advertising and promotions	32 320	65 816
Depreciation and amortisation	73 513	81 344
Distribution costs	38 174	45 227
Employee benefit expenses	338 427	406 798
Net impairment loss on financial assets	1 110	19 128
Foreign exchange loss	13 457	-
Other expenses	25 950	39 946
Travelling costs	8 724	4 900
Selling costs	58 195	51 872
	721 548	858 761
Cost of goods sold	921 724	1 132 157
Selling and distribution costs	113 897	109 249
Administrative expenses	472 356	557 667
Net impairment loss on financial assets	1 110	19 129
Other operating expenses	134 185	172 716
Operating expenses	721 548	858 761
Transaction and restructuring related costs ⁽²⁾	81 062	270 931
Net impairment loss on assets ⁽⁴⁾	169 800	85 947
	250 862	356 878

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

⁽²⁾ Transaction and restructuring related costs relate to the debt restructuring and disposal processes. A further R254.1 million (30 June 2021: R180.9 million), is included under discontinued operations, and relates predominantly to the group recapitalisation.

⁽³⁾ Rental income relates to the other items that are being leased other than medical equipment as per the Revenue Note 9.

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

11. Finance income and costs

Finance costs

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

Finance income

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

	Financial instrument class	2022 R'000	Restated ⁽¹⁾ 2021 R'000
Finance cost			
Interest on term debt facilities	Amortised cost	427 108	1 028 561
Incurred up to group recapitalisation		361 609	1 028 561
Facilities F,G1,G2 & G3		15 667	-
Apex/PharmaQ Facility		31 769	-
Default interest		10 034	-
Austell Facility		8 029	-
Debt raising fees	Amortised cost	18 975	7 305
Lease liabilities	Amortised cost	22 662	26 313
Other finance costs	Amortised cost	11 765	12 677
Interest on deferred vendor liabilities	Amortised cost	4 139	9 348
		484 649	1 084 204
Finance income			
Bank interest	Amortised cost	4 383	3 519
Other finance income	Amortised cost	2 316	1 161
		6 699	4 680
Net finance costs		477 950	1 079 524

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

12. Income tax expense

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

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

	2022	Restated ⁽¹⁾
	R'000	2021 R'000
Major components of the tax expense		
South African Taxation		
Current Tax		
Current tax on profits for the period	1 669	10 141
Recognised in current tax for prior periods	3 356	(4 120)
	5 025	6 021
Deferred Tax		
Originating and reversing temporary differences	(41 143)	(82 998)
Measurement period adjustment	(1 185)	185 655
	(42 328)	102 657
Total income tax (credit)/ expense	(37 303)	108 678

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

Income tax expense attributable to:	R'000	R'000
Loss from continuing operations	(37 303)	108 678
Profit from discontinued operations	16 678	130 381
	(20 625)	239 059

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

12. Income tax expense (continued)

	2022	Restated ⁽¹⁾ 2021
Tax at the South Africa corporate tax rate	28.00%	28.00%
Amortisation	1.24%	-1.62%
Impairment	-5.98%	0.11%
Prior year over/under provisions	-0.27%	-8.39%
Utilisation of tax losses/Limitation of deferred tax assets on tax losses ⁽²⁾	-23.26%	-11.57%
Donations	-0.07%	0.00%
Deregistration of subsidiaries	2.00%	-2.53%
Foreign adjustment to tax base	6.54%	9.24%
Other disallowable charges ⁽³⁾	-2.41%	-19.13%
S23N Limitation of interest deduction	0.00%	-1.02%
Fines and Penalties	-0.44%	-0.12%
Other non-taxable income	-0.55%	0.00%
Change in tax rate	-0.11%	0.00%
Average effective tax rate	4.69%	-7.03%

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

⁽²⁾ Relates to the limitation of deferred tax assets on tax losses of R660.7 million.

⁽³⁾ This includes various potentially disallowable costs.

13. Property, plant and equipment

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

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

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

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

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

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

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

ii) Measured at historical cost (plant and equipment)

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

13. Property, plant and equipment (continued)

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

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

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

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

Asset Category	2022 Years	2021 Years
Land and buildings ⁽¹⁾	25 – 50	25 – 50
Plant and machinery – owned	5 – 16	5 – 16
Office furniture	5 – 7	5 – 7
Motor vehicles – owned	3 – 6	3 – 6
Computers	3 – 7	3 – 7
Leased assets ⁽²⁾	2 – 10	2 – 10
Leasehold improvements ⁽³⁾	3 – 10	3 – 10

⁽¹⁾ Land does not get depreciated.

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

⁽³⁾ Depreciated over the shorter of useful life and lease period.

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

Plant and equipment carried at R1

As at year end, the group had a number of items of plant and equipment that have been fully depreciated and is currently being carried at R1 or nil value. The assessments of residual values and useful lives of these items is considered appropriate.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2022

R'000	Land and buildings	Plant and machinery	Office furniture	Motor vehicles	Computers	Leasehold improvements	Capital work in progress ⁽¹⁾	Total
Opening balance								
Cost or revaluation	62 581	365 314	32 574	781	11 634	6 882	8 843	488 609
Accumulated depreciation and impairment	(881)	(262 980)	(16 577)	(12)	(4 006)	(3 649)	-	(288 105)
Net book value at 1 July 2021	61 700	102 334	15 997	769	7 628	3 234	8 843	200 505
Additions	-	42 354	2 973	-	5 045	2 808	3 076	56 256
Disposals	-	(9 233)	(6)	-	(28)	-	-	(9 267)
Transfers between asset categories	-	(259)	22	-	29	-	208	-
Transfers from inventory ⁽²⁾	-	10 972	-	-	44	-	-	11 016
Transfers to disposal group classified as assets held for sale	1	(310)	(568)	(133)	(581)	(5)	(1)	(1 597)
Depreciation	(182)	(15 672)	(5 107)	(262)	(3 029)	(1 270)	-	(25 522)
Net book value at 30 June 2022	61 519	130 186	13 311	374	9 108	4 767	12 126	231 391
Made up as follows:								
Cost or revaluation	62 041	389 248	32 125	831	13 763	9 603	12 126	519 737
Accumulated depreciation and impairment	(522)	(259 062)	(18 814)	(457)	(4 655)	(4 836)	-	(288 346)
Net book value at 30 June 2022	61 519	130 186	13 311	374	9 108	4 767	12 126	231 391

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2021

R'000	Land and buildings	Plant and machinery	Office furniture	Motor vehicles	Leased assets	Computers	Leasehold improvements	Capital work in progress ⁽¹⁾	Total
Opening balance									
Cost or revaluation	691 823	913 762	67 575	20 667	13 043	58 274	27 598	32 348	1 825 090
Accumulated depreciation and impairment	(85 882)	(583 495)	(37 290)	(9 577)	(12 977)	(35 990)	(20 880)	-	(786 091)
Net book value at 1 July 2020	605 941	330 267	30 285	11 090	66	22 284	6 718	32 348	1 038 999
Additions	97 639	118 379	13 109	7 341	-	21 106	977	6 755	265 306
Revaluation	2 621	-	-	-	-	-	-	-	2 621
Disposal of business	-	-	-	-	-	(31)	-	-	(31)
Disposals	(1)	(3 368)	(1 464)	(1 464)	-	(299)	-	(382)	(6 978)
Transfers between asset categories	1 244	31 516	(8)	5	(66)	72	(2 900)	(29 863)	-
Transfers from inventory ⁽²⁾	-	3 924	-	-	-	-	-	-	3 924
Transfers to intangible assets	-	-	7	-	-	9	-	-	16
Reclassification to right of use assets	-	-	-	-	-	(3)	-	-	(3)
Transferred to disposal group classified as assets held for sale	(557 604)	(276 626)	(17 226)	(10 917)	-	(24 039)	(292)	(15)	(886 719)
Foreign exchange movements	(73 690)	(36 166)	(1 483)	(1 229)	-	(2 759)	-	-	(115 327)
Depreciation	(14 450)	(65 592)	(7 223)	(4 057)	-	(8 712)	(1 269)	-	(101 303)
Net book value at 30 June 2021	61 700	102 334	15 997	769	-	7 628	3 234	8 843	200 505
Made up as follows:									
Cost or revaluation	62 581	365 314	32 574	781	-	11 634	6 882	8 843	488 609
Accumulated depreciation and impairment	(881)	(262 980)	(16 577)	(12)	-	(4 006)	(3 649)	-	(288 105)
Net book value at 30 June 2021	61 700	102 334	15 997	769	-	7 628	3 234	8 843	200 505

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

13. Property, plant and equipment (continued)

Fair value of land and buildings

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

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

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

	Consumer Health Africa		Remedica ⁽¹⁾	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Opening balance	61 700	59 253	-	546 688
Additions	-	-	-	97 639
Transferred to assets held for sale	-	-	-	(557 604)
Transfers between asset categories	-	-	-	1 244
Revaluation gain	-	2 621	-	-
Depreciation for the period	(182)	(174)	-	(14 276)
Foreign exchange differences	-	-	-	(73 690)
Closing balance	61 518	61 700	-	-

⁽¹⁾ Remedica land and buildings have been disposed in the current year after being classified as held for sale in the prior year.

The table below represents the key unobservable inputs included in the revaluation of property in 2021 as well as the carrying amount that would have been recognised had the assets been carried the under cost model.

Property	Rent/m ²	Growth rate	Capitalisation rate	2022	2021
				Carrying amount	Carrying amount
Consumer Health Africa - Erf 1114 & 1115	R3 970 - R4 712	2%	10%-11%	34 725	35 545

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

14. Right-of-use assets

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

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

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

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

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

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

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

	2022 R'000	2021 R'000
Buildings	106 515	148 470
Plant and machinery	8 649	8 652
Office equipment	268	553
Total right-of-use assets	115 432	157 675

Additions to the right-of-use assets during the 2022 financial year were R14.1 million (2021:R8.4 million).

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

	2022 R'000	2021 R'000
Buildings	27 200	30 506
Plant and machinery	6 360	10 195
Office equipment	286	247
Depreciation charge right-of-use assets	33 846	40 948

15. Intangible assets and goodwill

(a) Goodwill

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

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

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

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

(b) Research and development

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

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

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

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

15. Intangible assets and goodwill (continued)

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

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

(c) Intangible assets with definite useful life

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

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

The group has no intangible assets with indefinite useful life.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

15. Intangible assets and goodwill (continued)

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

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

Impairment

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

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

15. Intangible assets and goodwill (continued)

Intangible assets and goodwill - 2022

R'000	Goodwill	Brands and trademarks	Licences and computer software	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance							
Cost	996 330	109 475	40 652	307 886	16 496	143 582	1 614 421
Accumulated amortisation and impairment	(826 421)	(79 155)	(15 609)	(224 638)	(16 496)	(88 436)	(1 250 755)
Carrying value as at 1 July 2021	169 909	30 320	25 043	83 248	-	55 146	363 666
Additions	-	174	529	-	-	-	703
Businesses disposed	(109)	-	-	-	-	-	(109)
Transfers to disposal group classified as assets held for sale	-	(1 248)	(428)	-	-	(52 631)	(54 307)
Amortisation	-	(4 384)	(6 548)	(10 398)	-	(2 515)	(23 845)
Impairment	(169 800)	-	-	-	-	-	(169 800)
Carrying value as at 30 June 2022	-	24 862	18 596	72 850	-	-	116 308
Made up as follows:							
Cost	876 413	85 818	40 638	307 886	16 496	-	1 327 251
Accumulated amortisation and impairment	(876 413)	(60 956)	(22 042)	(235 036)	(16 496)	-	(1 210 943)
Carrying value as at 30 June 2022	-	24 862	18 596	72 850	-	-	116 308

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

15. Intangible assets and goodwill (continued)

Intangible assets and goodwill - 2021

R'000	Goodwill	Brands and trademarks	Licence and computer software	Intangible assets under development	Customer relationships	Contractual agreements	Drug masterfiles	Total
Opening balance								
Cost	3 781 036	1 371 154	32 294	-	1 075 437	239 351	1 811 869	8 311 141
Accumulated amortisation and impairment	(1 111 143)	(498 930)	(27 991)	-	(334 989)	(53 593)	(609 796)	(2 636 441)
Carrying value as at 30 June 2020	2 669 893	872 224	4 303	-	740 448	185 758	1 202 073	5 674 700
Additions	-	61 776	28 936	4 579	-	-	140 565	235 856
Disposals	-	(36 948)	(297)	-	-	-	(787)	(38 032)
Transfers between categories	-	31 496	(88)	-	137	(86 998)	55 453	-
Transfers (to)/from disposal group classified as assets held for sale	(2 155 185)	(743 949)	569	(4 579)	(557 137)	(90 840)	(1 115 581)	(4 666 702)
Transfer to property, plant and equipment	-	-	(16)	-	-	-	-	(16)
Amortisation	-	(53 959)	(8 468)	-	(30 055)	(1 354)	(42 605)	(136 441)
Impairment	(85 948)	-	-	-	(3 323)	-	(32 445)	(121 716)
Exchange rate differences	(258 851)	(100 320)	103	-	(66 822)	(6 566)	(151 526)	(583 982)
Carrying value as at 30 June 2021	169 909	30 320	25 042	-	83 248	-	55 147	363 666
Made up as follows:								
Cost	996 330	109 475	40 652	-	307 886	16 496	143 582	1 614 421
Accumulated amortisation and impairment	(826 421)	(79 155)	(15 610)	-	(224 638)	(16 496)	(88 436)	(1 250 755)
Carrying value as at 30 June 2021	169 909	30 320	25 042	-	83 248	-	55 147	363 666

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

15. Intangible assets and goodwill (continued)

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

Summary of goodwill 2022					
R'000	Opening balance	Impairment	Transfer to discontinued operations	Foreign currency translation	Closing balance
Medical Devices	169 909	(169 909)	-	-	-
Total	169 909	(169 909)	-	-	-

Summary of goodwill 2021

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

Individually material intangible assets

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

CGU	Reporting Segment	Intangible Asset	Carry value		Remaining useful life	
			2022	2021	2022	2021
			R'000	R'000		
Ascendis Consumer Brands	Consumer Health	Brands and trademarks	18 538	21 556	12	13
Chempure	Consumer Health	Customer relationships	20 924	24 761	10	11
The Scientific Group	Medical Devices	Customer relationships	49 610	53 856	13	14
Ascendis Pharma ⁽¹⁾	Pharma	Drug master files	51 277	53 756	19	20

⁽¹⁾ This balance is classified as held for sale in the current year.

Impairment tests for CGUs

During the current year, the group impaired the goodwill balance of R169.8 million. Therefore, as at year end, the group did not have any goodwill nor intangible assets with indefinite useful lives. No impairment indicators were identified for the remaining assets hence no impairment assessment was deemed necessary.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

15. Intangible assets and goodwill (continued)

Detailed impairment testing for The Scientific Group was performed at 30 June 2021 and at that stage, the sensitivity analysis for the CGU reflected a low headroom and indicated that slight reduction in the forecast sales volume and growth would result in impairment. The impairment was triggered by the entity's underperformance as a result of various headwinds. Impairment included in continuing operations in the statement of profit or loss amounted to R169.8 million (2021: R89.3 million). No impairment was recognised on discontinued operations (2021: R32.4 million). In total, the net impairment recognised in the current year amounted to R169.9 million (2021: R121.7 million). Further, no impairment was recognised in terms of the re-measurement of the carrying value of the discontinued operations in accordance with the requirements of IFRS 5 (2021: 95.6 million).

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

30 June 2022		Carrying value	Recoverable amount	Impairment amount
CGU	Reporting Segment	R'000	R'000	R'000
The Scientific Group ⁽¹⁾	Medical Devices	226 352	59 630	169 800
Total impairments				169 800

⁽¹⁾ This impairment was recognised in December 2021.

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

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

The group tests goodwill for impairment on an annual basis. There were no impairment indicators that were identified at year end, hence no detailed impairment assessment was performed.

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

15. Intangible assets and goodwill (continued)

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

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

Assumptions

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

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

	Sales volume & growth %	Other operating costs growth %	Annual capex & research and development (% of Sales)	Long- term growth rate %	Pre-tax discount rate %
2022					
The Scientific Group	2.9%	1.5%	5.0%	4.8%	21.2%
	Sales volume & growth %	Other operating costs growth	Annual capex & research and development (% of Sales)	Long- term growth rate %	Pre-tax discount rate %
2021					
Surgical Innovations	8.2%	68.0%	7.0%	4.8%	20.7%
Ortho-Xact	10.2%	53.4%	6.4%	4.8%	24.6%
The Scientific Group	7.3%	7.2%	4.4%	4.8%	21.2%
Chempure	6.5%	4.9%	0.5%	4.8%	20.6%
Skin	6.2%	7.6%	1.2%	4.8%	21.4%
Ascendis Pharma	13.2%	8.3%	0.8%	4.8%	22.2%

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

15. Intangible assets and goodwill (continued)

Sensitivities

No sensitivities were performed on the 2022 impairments, as the full impairment relates to goodwill of The Scientific Group. The full impairment was processed on 31 December 2021, and in terms of the IAS 36, the impairment cannot be reversed.

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

16. Other financial assets

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

	2022 R'000	2021 R'000
Other financial assets measured at amortised cost		
Animal Health escrow receivable	51 001	-
Previous owners of Chempure t/a Solal	9 521	9 521
Investment Fund	4 008	2 151
Loans to directors and employees	32 072	31 476
Less: Expected credit loss allowance	(37 963)	(29 183)
	58 639	13 964
Current other financial assets	51 017	14
Non-current other financial assets	7 622	13 951
Other financial assets	58 639	13 965

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

16. Other financial assets (continued)

Other financial assets consist of the following receivables:

Animal Health escrow receivable: Relates to the contingent consideration on the Animal Health disposal for an amount of R50 million plus R1.0 million of interest. The amount has been paid into an escrow account and is due and payable on 30 November 2022 and is being held as security for payment of any claims by the buyer against the group in respect of warranties and indemnities.

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

Investment Fund: Relates to a 14.48% (2021: 16.00%) s12J investment in a venture capital company, WDB Growth Fund (Pty) Ltd.

Loans to directors and employees: Relates to loans issued to a director and other previous key management staff. The loans bear interest from 5.75% to 9% compounded annually and were repayable between July 2020 and June 2025. Expected credit loss allowances of R28.4 million (2021: R19.7 million) have been recognised on the balances because there has been a significant increase in credit risk.

Refer to the financial instruments credit risk disclosure, note 30.4 for further details on the credit risk management policies.

17. Deferred Tax

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

During the budget speech presented on 23 February 2022, the finance minister announced that the corporate tax rate will be reduced from 28% to 27%. Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 27% (2021: 28%).

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

17. Deferred Tax (continued)

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

	2022 R'000	2021 R'000
The gross movement on deferred tax is as follows:		
Gross movement in the deferred income tax assets account:		
Deferred tax asset	68 356	101 749
Deferred tax liability	(76 770)	(216 473)
Opening balance at the beginning of the year	(8 414)	(114 724)
Disposal of entities	-	(59 775)
Income statement charge	42 328	(83 708)
FCTR	-	13 361
Foreign exchange difference	-	15 027
Transferred to assets and liabilities held for sale	(10 407)	221 405
Closing balance at end of year	23 507	(8 414)
Deferred tax assets ⁽¹⁾	48 281	68 356
Deferred tax liabilities	(24 774)	(76 770)
Net deferred tax liability	23 507	(8 414)
The deferred tax balance is attributable to the following items:		
Capital allowances	(5 035)	(5 132)
Intangible assets	(16 364)	(23 083)
Lease liability	1 893	1 416
Right-of-use asset	(1 835)	(4 276)
Expected credit loss allowance	4 782	12 881
Provisions	2 418	14 914
Taxation losses	36 181	44 729
Contract liability	-	1 200
Foreign exchange difference	-	(44 575)
Other	1 467	(7 383)
Prior period adjustments	-	1 051
Prepayments	-	(156)
	23 507	(8 414)

⁽¹⁾ The group expects to make future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences and as such have recognised the deferred tax assets. The deferred tax asset recoverability assessment considers the probability of forecasted future taxable income, which may include future tax planning strategies.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

18. Inventories

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

18. Inventories (continued)

	2022	2021
	R'000	R'000
Raw materials, components	41 517	60 127
Finished goods	305 331	366 209
Work in progress	8 654	7 918
Goods in transit	16 364	19 795
Total inventories net of provision for impairment	371 866	454 049

	2022	2021
	R'000	R'000
Reconciliation of provision for impairment		
Balance at the beginning of the year	(72 928)	(78 299)
Released / (raised) during the year	6 082	(13 807)
Utilised during the year	32 121	17 389
Transfer to disposal group classified as held for sale	(2 813)	1 782
Foreign exchange movements	-	7
Balance at the end of the year	(37 538)	(72 928)

Amounts recognised in profit or loss

Inventories written down for the year ended 30 June 2022 amounted to R52.5 million (2021: R74.1 million). These were recorded in cost of sales.

No inventories are carried at fair value less costs to sell at 30 June 2022.

No reversals of previous inventory write-down's occurred during the year ended 30 June 2022.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

19. Trade and other receivables

Trade and other receivables are amounts due from customers for goods or services sold or rendered in the ordinary course of business. Trade and other receivables are initially measured at transaction price and subsequently measured at amortised cost in terms of the IFRS 9: *Financial Instruments*.

	2022 R'000	2021 R'000
Trade receivables	279 476	359 040
Less: provision for impairment of trade receivables	(13 917)	(29 585)
Less: provision for credit notes	(1 203)	(5 018)
Trade receivables - net	264 356	324 437
Prepayments	32 544	17 348
Deposits	6 408	6 785
VAT	9 751	29 561
Right of return asset	2 741	2 994
Dezzo disposal consideration receivable	-	8 343
Other receivables	23 374	17 876
Trade and other receivables	339 174	407 344

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

20. Cash and cash equivalents

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

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

20. Cash and cash equivalents (continued)

Cash and cash equivalents consist of the following:

	2022 R'000	2021 R'000
Rand denominated bank balances	203 811	325 132
Foreign denominated bank balances	9 180	40 758
Cash on hand	29	90
Cash and cash equivalents	213 020	365 980
Bank overdraft	-	(69)
Net cash and cash equivalents per statement of cash flows	213 020	365 911
Restricted cash		
Total return swap cash	41 560	60 442
Cash backed ancillary facilities	22 500	-
	64 060	60 442

Restricted cash included cash that is being held in the banks as collateral on the total return swap (TRS) and ancillary facilities. The TRS cash is used to settle the liability at each due date as outlined in Note 3. The group has various ancillary facilities, the cash is held as security against these facilities and will be released upon expiry of the facilities or on conclusion of new financing arrangements with the commercial banks as disclosed in Note 1.

21. Trade and other payables

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

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

	2022 R'000	2021 R'000
Trade payables	254 585	316 970
Other payables ⁽³⁾	32 515	26 522
VAT	25 098	38 482
Accrued expenses ⁽²⁾	39 500	53 506
Accrued payroll expenses	71 105	86 516
Dividends payable ⁽¹⁾	757	757
Trade and other payables	423 560	522 753

⁽¹⁾ Unclaimed dividends held by Ascendis on behalf of shareholders.

⁽²⁾ Included in accrued expenses are commission related costs of R7.3 million and Goods in Transit related costs of R9.3 million.

⁽³⁾ Included in other payables are SARS related matters for R18.5 million.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

22. Provisions

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

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

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

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

2021	Opening		Unused		Foreign	Transfer to	
R'000	balance	Additions	provision	Utilised	currency	assets	Closing
			reversed		translation	held	balance
						for sale	
Other provisions	26 795	18 243	(904)	(12 001)	(209)	(10 872)	21 052
Retention bonus provision	9 407	-	-	(9 407)	-	-	-
Commission provision	4 127	816	-	(4 755)	-	(188)	-
Leave pay provision	50 758	25 941	(3 221)	(23 856)	(2 387)	(22 383)	24 852
	91 087	45 000	(4 125)	(50 019)	(2 595)	(33 443)	45 904

Other provisions

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

Leave pay

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

23. Contract liability

Warranty and rebate contract liability

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

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

Settlement discount provision

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

2022 R'000	Opening balance	New contracts entered	Liability reversed	Revenue recognised	Transfer to assets held for sale	Closing balance
Warranty and rebates	10 078	18 615	(10 069)	(5 770)	(1 074)	11 780
Settlement discount provision	5 163	48 350	(929)	(47 534)	(38)	5 012
	15 241	66 965	(10 998)	(53 304)	(1 112)	16 792

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

	2022 R'000	2021 R'000
The following table represents the split between current and non-current contract liabilities:		
Non-current	-	-
Current liabilities	16 792	15 241
	16 792	15 241

24. Lease liabilities

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

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

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

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

24. Lease liabilities (continued)

Renewal and termination options

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

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

Lease and non-lease components

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

24. Lease liabilities (continued)

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

	2022 R'000	2021 R'000
Current	10 817	27 973
Non-current	140 272	165 300
Total lease liabilities	151 089	193 273
Amounts recognised in the income statement ⁽²⁾	2022 R'000	2021 ⁽¹⁾ R'000
Continuing Operations		
Total finance costs	22 662	26 313
Expense relating to short-term and low value leases included in other operating expenses	5 193	8 062
Discontinued Operations		
Total finance costs	1 865	8 822
Expense relating to short-term and low value leases included in other operating expenses	152	-
Amounts recognised in the statement of cash flows		
Continuing Operations		
Interest paid	22 662	26 313
Repayments of lease liabilities	26 686	36 719
Cash outflow on leases	49 348	63 032
Discontinued Operations		
Interest paid	1 865	8 822
Repayments of lease liabilities	8 179	32 762
Cash outflow on leases	10 044	41 584
Total cash outflow on leases	59 392	104 616

⁽¹⁾ The comparatives have been restated for the change in discontinued operations. Refer to the restatement section as part of the accounting policies for further details.

⁽²⁾ These amounts have been represented in order to disclose the continuing and discontinuing operations separately.

25. Stated capital

Ordinary shares

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

Treasury shares

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

25. Stated capital (continued)

	2022 R'000	2021 R'000
Opening balance	6 017 784	5 975 703
Treasury shares released during the year ⁽¹⁾	20 807	42 081
Treasury shares acquired during the year ⁽²⁾	(2 120)	-
Closing balance	6 036 471	6 017 784

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

⁽²⁾ During the year shares were acquired by Ascendis that relate to the repurchase of shares pursuant to the exercise of appraisal rights by dissenting shareholders.

	2022 '000	2021 '000
Number of shares		
Authorised shares (no par value)	2 000 000	2 000 000
Issued shares (fully paid up)	489 470	489 470
Reconciliation of number of shares in issue net of treasury shares		
Ordinary shares - opening balance	481 494	477 515
Issued during the year	-	-
Ordinary shares - closing balance	481 494	477 515
Treasury shares movement in the year ⁽¹⁾	(115)	3 979
Held at the beginning of the period	7 976	11 955
Held at the end of the period	(8 091)	(7 976)
Net closing balance	481 379	481 494

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

26. Other reserves

Other reserves - 30 June 2022

R'000	Common control reserve ¹	Distributable reserve ²	Statutory reserve ³	Total other reserves
Balance as at 1 July 2021	(18 702)	62 441	3 981	47 720
Foreign currency translation	-	565	-	565
Disposal/deregistration of subsidiary	-	-	-	(0)
Reclassification to retained earnings ⁴	-	(63 006)	(3 981)	(66 987)
Total contributions by and distributions to owners of the group recognised directly in equity	-	(62 441)	(3 981)	(66 422)
Balance as at 30 June 2022	(18 702)	-	-	(18 702)

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

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

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

(4) Reserve release relating to the sale of Farmalider, S.A.

Other reserves - 30 June 2021

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

27. Cash generated from operations

	2022 R'000	Restated ⁽¹⁾ 2021 R'000
Loss after tax from continuing operations	(758 089)	(1 654 866)
Adjustments for:		
Tax from continuing operations	(37 303)	108 679
Depreciation and amortisation	79 828	85 280
Impairment of intangible assets	169 800	85 947
Net loss on sale of assets	2 369	3 353
Net (profit)/loss on disposal of subsidiary ⁽²⁾	(56 529)	296 335
Net loss/(profit) on foreign exchange	33 825	(22 278)
Fair value measurement of financial assets and liabilities	(1 860)	4 386
Provisions and contract liability raised/(released)	23 352	(112 970)
Net movement in trade and other receivables estimated credit losses	50 336	16 028
Net movement in obsolete stock allowance	(6 082)	9 476
Finance income	(6 699)	(4 681)
Finance expense	484 649	1 084 203
Remeasurement of deferred vendor liabilities	-	(22 499)
Remeasurement of lease liabilities	(3 034)	-
Capitalised fees amortised	-	5 932
Impairment of other financial assets	8 722	-
Changes in working capital:		
Inventories	17 349	27 228
Trade and other receivables	(62 604)	73 267
Trade and other payables	(32 611)	(71 458)
Provisions	(8 289)	84 046
Cash generated from operations	(102 871)	(4 593)

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

⁽²⁾ The current year profit relates to the release of foreign currency exchange difference on deregistered subsidiaries and the liquidation of the balance sheets of the foreign operations not disposed of as part of the group recapitalisation.

28. Tax paid

	2022 R'000	2021 R'000
Balance at the beginning of the period	(3 251)	(30 986)
Current tax for the period recognised in profit or loss	(5 025)	(6 021)
Transfer to discontinued operations	895	24 183
Balance at the end of the period	6 307	(3 251)
Current tax receivable	20 909	25 895
Current tax payable	(14 602)	(29 146)
Tax paid	(13 688)	(9 573)

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

29. Group companies

Composition of the group

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

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

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

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

Ascendis disposed of its shares in Farmalider and its subsidiaries effective 8 July 2022. Based on this, the group does not have any remaining material or immaterial non-controlling interests as at 30 June 2022.

Details of partially owned subsidiaries

	Proportion of ownership interest and voting rights held by non-controlling interests		Profit attributable to non-controlling interests		Equity attributable to non-controlling interests	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Farmalider	0.00%	51.00%	-	36 197	-	167 612
Individually immaterial subsidiaries with non-controlling interests	0.08% ⁽¹⁾	35.63%	946	(360)	-	(380)
			946	35 837	-	167 232

⁽¹⁾ Relates to the non-controlling interest in Ascendis Health International Holdings Ltd before disposal on 31 October 2021

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

29. Group companies (continued)

Summarised statement of profit and loss and other comprehensive income	2022 R'000	2021 R'000
Revenue	-	633 604
Profit/(loss) before tax	-	30 163
Total comprehensive income	-	36 720
Summarised statement of financial position	2022 R'000	2021 R'000
Non-current assets	-	224 878
Current assets	-	340 190
Total assets	-	565 068
Non-current liabilities	-	140 903
Current liabilities	-	265 855
Total liabilities	-	406 758
Total net assets	-	158 310
Summarised statement of cash flow	2022 R'000	2021 R'000
Cash flows from operating activities	-	70 249
Cash flows from investing activities	-	(73 659)
Cash flows from financing activities	-	(2 421)
Net decrease in cash and cash equivalents	-	(5 831)

30. Financial instruments

Accounting for financial instruments

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

Initial recognition and classification

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

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

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

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

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

Derecognition

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

30. Financial instruments (continued)

Modification of financial liabilities

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

Impairment

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

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

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

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

Definition of default

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

30. Financial instruments (continued)

Write-off policy

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

Significant increase in credit risk in terms of general impairment model

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

- **Quantitative**

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

- **Quantitative criteria**

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

30.1 Financial risk management

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

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

The audit and risk committee has oversight of group risk management and the group treasury function manages various financial risks in accordance with the policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. The group treasury function identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The group treasury risk management objective is to protect all foreign exposures using foreign exchange contracts. Please refer to Note 31 and the sensitivity on foreign currency exposure for the quantification of the instruments.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.2. Categories of financial instruments

2022 R'000	Amortised cost ⁽¹⁾		Fair value through profit or loss	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Financial assets				
Non-current				
Other financial assets	36 064	-	-	-
Current				
Trade and other receivables	314 984	68 078	-	-
Other financial assets	60 541	72	-	-
Derivative financial instruments	-	-	3 065	-
Cash and cash equivalents	213 020	4 523	-	-
	624 609	72 673	3 065	-
Financial liabilities				
Non-current				
Borrowings and other financial liabilities	(22 131)	-	-	-
Lease liabilities	(140 272)	-	-	-
Current				
Borrowings and other financial liabilities	(521 538)	(137)	-	-
Lease liabilities	(10 817)	-	-	-
Trade and other payables	(288 727)	(63 849)	-	-
Bank overdraft	-	(122)	-	-
	(983 485)	(64 108)	-	-

⁽¹⁾ Refer to Note 31 for further details on fair value estimation and hierarchy

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.2. Categories of financial instruments (continued)

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

⁽¹⁾ Refer to Note 31 for further details on fair value estimation and hierarchy.

30.3 Liquidity risk

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

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.3 Liquidity risk (continued)

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

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

At year end the group had the following liquid resources: trade and other receivables R339.2 million (2021: R407.3 million) (Note 19), and bank balances of R213.0 million (2021: R366.0 million) (including restricted cash of R64.0 million; 2021: R60.4 million) (Note 20) to manage liquidity risk. The group does not have any undrawn facilities at year end (2021: Rnil). In addition to the above, the group is in the process of disposing the Pharma South Africa business unit which has been classified as held for sale and a discontinued operation and the proceeds from the disposal will be used to settle the remaining debt facilities of the group. The net asset value of the discontinued operations is R73.3 million. Refer to Going concern Note 1 for further details regarding the future plans of the group to settle the debt.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.3 Liquidity risk (continued)

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

2022 R'000	Note	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
Continuing operations						
Borrowings and other financial liabilities	3	18 269	503 269	22 131	-	543 669
Lease liabilities	24	7 091	19 548	30 721	99 702	228 530
Trade and other payables	21	175 394	113 343	-	-	288 737
Total		200 754	636 160	52 852	99 702	1 060 936
Discontinued operation						
Borrowings and other financial liabilities	5	137	-	-	-	137
Bank overdraft		122	-	-	-	122
Trade and other payables		78 615	-	-	-	78 615
Total		78 874	-	-	-	78 874

2021 R'000	Note	3 months and 1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
Continuing operations						
Borrowings and other financial liabilities	3	6 709	6 804 786	15 092	-	6 826 587
Lease liabilities	24	9 615	36 547	40 500	72 080	287 239
Derivatives		2 773	-	-	-	2 773
Bank overdraft	20	69	-	-	-	69
Trade and other payables	21	522 752	-	-	-	522 752
Total		541 918	6 841 333	55 592	72 080	7 639 420
Discontinued operations						
Borrowings and other financial liabilities	5	92 336	106 011	28 792	72 263	328 353
Lease liabilities		7 070	23 056	30 115	42 084	102 325
Deferred vendor liabilities		-	840 985	-	-	840 985
Derivatives		2 421	-	-	-	2 421
Bank overdraft		30 118	-	-	-	30 118
Trade and other payables		791 698	-	-	-	791 698
Total		923 643	970 052	58 907	114 347	2 095 900

30. Financial instruments (continued)

30.4 Credit risk

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

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

Impairment of financial assets

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

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

The detailed analysis of the items above is included below:

Trade receivables

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

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

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

30. Financial instruments (continued)

30.4 Credit risk (continued)

Provision matrix

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

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

The historic loss ratio is then adjusted for forward-looking information i.e. macro-economic variables to determine the ECL for the portfolio of trade receivables at the reporting date to the extent that there is a strong correlation between the forward-looking information and the ECL. Macro-economic variables applied relates to the GDP factor. Any impacts from the KZN floods and the current Russia/Ukraine conflict are taken into account in this GDP factor. The impact of these events was not considered material on the operations of the Group.

Management has applied the presumption that a customer is in default when 90 days past due.

Significant judgement

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

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

The loss allowance as at 30 June 2022 for trade receivables to which the provision matrix had been applied is determined as follows:

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.4 Credit risk (continued)

2022 R'000	Gross carrying amount	Impairment	Average ECL/ impairment ratio
Continuing operations			
Current	123 664	(861)	0.70%
Up to 30 days aged	41 795	(451)	1.08%
Up to 60 days aged	5 990	(513)	8.56%
More than 60 days past due	14 893	(11 424)	76.71%
	186 342	(13 249)	7.11%
Discontinued operations			
Current	56 609	(14)	0.02%
Up to 30 days aged	503	(1)	0.20%
Up to 60 days aged	41	-	0.00%
More than 60 days past due	3 197	(776)	24.27%
	60 350	(791)	1.31%
2021 R'000	Gross Carrying Amount	Impairment	Average ECL/ Impairment ratio
Continuing operations			
Current	139 270	(2 721)	1.95%
Up to 30 days aged	52 196	(1 748)	3.35%
Up to 60 days aged	11 260	(511)	4.54%
More than 60 days past due	20 044	(8 034)	40.08%
	222 770	(13 014)	5.84%
Discontinued operations			
Current	957 515	(9 502)	0.99%
Up to 30 days aged	138 953	(4 910)	3.53%
Up to 60 days aged	62 860	(3 658)	5.82%
More than 60 days past due	314 035	(67 029)	21.34%
	1 473 363	(85 099)	5.78%

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.4 Credit risk (continued)

Simplified parameter-based approach

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

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

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

2022 R'000	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Continuing operations			
Government customers	36 147	(606)	35 541
Public listed customers	56 987	(61)	56 926
	93 134	(667)	92 467
Discontinued operations			
Government customers	5 997	(2 477)	3 520
Public listed customers	-	-	-
	5 997	(2 477)	3 520

2021 R'000	Gross carrying amount	Expected credit loss allowance	Net carrying amount
Continuing operations			
Government customers	74 645	(3 482)	71 163
Public listed customers	61 625	(661)	60 964
Specific provision ⁽¹⁾	12 428	(12 428)	-
	148 698	(16 571)	132 127
Discontinued operations			
Government customers	89 224	(2 927)	86 297
Public listed customers	30 773	(414)	30 359
	119 997	(3 341)	116 656

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.4 Credit risk (continued)

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

	2022 R'000	2021 R'000
Opening loss allowance	29 585	102 949
(Decrease)/ Increase in loss allowance	(1 340)	38 698
Receivables written off during the year as uncollectible	(9 933)	(17 309)
Transferred to discontinued operation	(4 395)	(87 557)
Exchange rate differences	-	(7 196)
As at 30 June	13 917	29 585

Net reversal of impairment loss recognised in the statement of profit or loss amounted to R1.3 million (Net impairment loss - 2021: R38.7 million).

Other financial assets

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

Internally, it was assessed that the credit risk with regards to the amount receivable on the loans to key management, directors, previous key management and directors and previous owners of Chempure t/a Solal has increased significantly. The group is doubtful that the amount will be received in full. For the loans to key management, directors, previous key management and director the group has recognised ECL allowance on the amounts owed because the group is in the process of finding ways to recover the amounts. The loans to previous owners of Chempure t/a Solal, the amount owed is past due and the counterparty is now in default. Therefore, a specific lifetime ECL has been applied and a provision of R37.8 million (2021: R29.2 million) recognised. The receivable is credit impaired. The gross carrying amount of other financial assets is R96.6 million (2021: R43.1 million).

The remaining other financial assets were assessed internally as performing. These other financial assets are considered to have low credit risk as the probability of default is very low and ECL is considered immaterial.

Cash and cash equivalents

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.4 Credit risk (continued)

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

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

	2022 R'000	2021 R'000
Credit rating of financial institutions		
Continuing operations		
Ba2	213 020	365 212
Aa3	-	699
	213 020	365 911
Discontinued operations		
Ba2	4 401	24 128
Baa1	-	117 831
A2	-	29 498
B1	-	4 219
	4 401	175 676

30.5 Market risk

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

Interest rate risk

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

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30.5 Market risk (continued)

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

R'000	2022		2021	
	Fixed rate instruments	Variable rate instruments	Fixed rate instruments	Variable rate instruments
Continuing Operations				
Non-current financial assets				
Other financial assets	36 064	-	33 611	-
	36 064	-	33 611	-
Current financial assets				
Other financial assets	60 541	-	9 521	-
Cash and cash equivalents	170 948	42 072	305 320	60 660
	231 489	42 072	314 841	60 660
Non-current financial liabilities				
Borrowings and other financial liabilities	22 130	-	8 221	-
	22 130	-	8 221	-
Current financial liabilities				
Borrowings and other financial liabilities	23 374	498 164	19 654	6 716 835
Bank overdraft	-	-	69	-
	23 374	498 164	19 723	6 716 835

R'000	2022		2021	
	Fixed rate instruments	Variable rate instruments	Fixed rate instruments	Variable rate instruments
Discontinued Operations				
Current financial assets				
Other financial assets	72	-	8 930	-
Cash and cash equivalents	4 523	-	205 722	71
	4 595	-	214 652	71
Non-current financial liabilities				
Borrowings and other financial liabilities	-	-	126 514	-
	-	-	126 514	-
Current financial liabilities				
Borrowings and other financial liabilities	137	-	201 839	-
Deferred vendor liability	-	-	840 985	-
Bank overdraft	122	-	30 118	-
	259	-	1 072 942	-

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.5 Market risk

Sensitivity analysis

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

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

JIBAR R'000	Decrease/Increase in profit before tax		
	Change in interest rate	Upward change in interest rate	Downward change in interest rate
2022	1%	(4 561)	4 561
2021	1%	(24 223)	24 223

Foreign exchange risk

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

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

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

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

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

Currency	2022		2021	
	Closing rate	Average rate	Closing rate	Average rate
Euros	17.02	16.70	16.78	16.73
Romanian leu ⁽¹⁾	3.44	3.37	3.44	3.39
Swedish Krona	1.58	1.58	1.68	1.68
UK pound sterling	19.78	19.46	19.78	19.48
US dollar	16.28	15.79	14.30	13.89

⁽¹⁾ This related to a foreign operation which was disposed during the current financial year

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.5 Market risk (continued)

The change in exchange rate applied in the below mentioned sensitivity analysis is based on the actual movement in exchange rates during the 2022 financial year.

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

2021

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

30.6 Capital risk management

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

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

30. Financial instruments (continued)

30.6 Capital risk management (continued)

In addition, the group has long-term and short-term borrowings in place to meet the anticipated funding requirements. Borrowings are monitored based on the gearing ratio, which is consistent with others in the industry. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings and other financial liabilities' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. The group has historically set an internal target gearing ratio of 50%. The successful completion of the Rights Offer programme in August 2022, plus the conclusion of the Pharma disposal expected by the end of November 2022, will ensure that the debt is repaid. The group has an opportunity to right size its capital structure and the board has agreed to use the net debt: EBITDA ratio as a means of measurement and has set the maximum at 2x.

The table below serves to illustrate the group's gearing ratio at 2022 and 2021.

	Notes	2022 R'000	2021 R'000
Derivative financial instruments	30.6	-	2 773
Borrowings and other financial liabilities	3	543 669	6 792 474
Deferred vendor liabilities	4	-	116 808
Total borrowings		543 669	6 912 055
Cash and cash equivalents	20	(213 020)	(365 911)
Net debt		330 649	6 546 144
Total equity		401 808	513 769
Total capital		732 457	7 059 913
Gearing ratio		45%	93%

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

31. Fair value estimation and hierarchy

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

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

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

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

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

2022 R'000	Notes	Level 1	Level 2	Level 3	Total
Continuing operations					
Liabilities classified as held for sale	5	-	-	83 105	83 105
Not measured at fair value					
Borrowings and other financial liabilities	3	-	543 669	-	543 669
Total liabilities		-	543 669	83 105	626 774
Financial liabilities at fair value through profit and loss					
Foreign exchange contracts ⁽¹⁾		-	3 065	-	3 065
		-	3 065	-	3 065
Measured on a recurring basis					
Land and buildings	13	-	-	61 518	61 518
Assets classified as held for sale	5	-	-	159 513	159 513
Total assets		-	3 065	221 031	64 583

⁽¹⁾ This is related to derivative financial instruments.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

31. Fair value estimation and hierarchy (continued)

2021 R'000	Notes	Level 1	Level 2	Level 3	Total
Continuing operations					
Measured at fair value on a recurring basis					
Financial liabilities at fair value through profit and loss					
Deferred vendor liabilities	4	-	-	116 808	116 808
Foreign exchange contracts		-	2 773	-	2 773
Liabilities classified as held for sale	5	-	-	2 325 986	2 325 986
Not measured at fair value					
Borrowings and other financial liabilities	3	-	6 784 252	-	6 784 252
Total liabilities		-	6 787 025	2 442 794	9 229 819
Measured on a recurring basis					
Land and buildings		-	-	61 700	61 700
Assets classified as held for sale		-	-	8 577 531	8 577 531
Total assets		-	-	8 639 231	8 639 231
Discontinued operations					
Not measured at fair value					
Borrowings and other financial liabilities	5	-	328 353	-	328 353
Total liabilities		-	328 353	-	328 353
Measured on a recurring basis					
Land and buildings		-	-	570 789	570 789
Total assets		-	-	570 789	570 789
Reconciliation of level 3 category instruments					
			2022 R'000	2021 R'000	
Deferred vendor liabilities:					
Opening balance			116 808	336 482	
Repayments during the year			(120 947)	(221 537)	
Interest charged			4 139	28 830	
Remeasurement			-	(22 499)	
Foreign currency translation difference			-	(4 468)	
			-	116 808	

31. Fair value estimation and hierarchy (continued)

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

Valuation methods and assumptions

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

Deferred vendor liabilities

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

Derivative financial instruments

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

Borrowings and other financial liabilities

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

Assets and liabilities classified as held for sale

Assets and liabilities held for sale constitute the disposal groups held for sale and discontinued operations (please refer to note 5 for details thereof). The key valuation inputs consist unobservable inputs being the obtainable selling prices negotiated and potentially achievable for the various disposal groups. Advisors are appointed to the disposal process in accordance with the milestones illustrated in the refinancing agreement to commence with the process of identifying a buyer a purchase proceeds level attainable.

Land and buildings

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

32. Related parties

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

32. Related parties (continued)

Key management compensation 2022

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

⁽¹⁾ Resigned effective 31 December 2021.

⁽²⁾ MJ Sardi and CJ Kujenga were not contracted to short term incentives in 2022 due to the focus on the debt restructuring and disposals that is recognised via the incentives

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

^{^^} SDL & UIF legislative costs

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

32. Related parties (continued)

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

The following emoluments

* R500 000 AB Marshall for compensation for serving as acting CEO of the group for the period 22 December 2021 to 13 January 2022

* R2 000 000 AB Marshall as a settlement fee for early termination of his service contract as acting CEO

* R785 000 G Shayne for mergers and acquisitions consulting fees in terms of a service agreement entered into for the period 1 March 2022 to 30 April 2022

Key management compensation 2021

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

(1) and (2) Refers to a date

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

^^ SDL & UIF legislative costs

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

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

32. Related parties (continued)

Summary of directors' appointments, resignations and retirements

(1)	Appointed
CJ Kujenga	01 December 2020
SL Mulaudzi	20 December 2021
HJ Smit	20 December 2021
Dr KUHH Wellner	20 December 2021
AC Neethling	11 May 2022
B Harie	11 May 2022
Amaresh Chetty	11 May 2022

(2)	Appointed	Resigned
SS Ntsaluba	07 April 2020	29 October 2021
MJ van Lill Sadie	14 October 2019	31 December 2021
B Harie	21 October 2013	20 December 2021
GJ Sebulela	02 October 2018	20 December 2021
AB Marshall	04 May 2019	20 December 2021
KS Pather	10 November 2016	20 December 2021
G Shayne	20 December 2021	06 June 2022
RW Dawes	20 December 2021	28 June 2022

Directors' interest in shares

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

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

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

The independent non-executive directors interests in the issued share capital of the company represent less than 16.5% (2021: 0.2%) of the total issued share capital of the company at 30 June 2022. The collective interests held by the directors do not constitute a material shareholding in the company. Accordingly, their continued participation as directors is deemed not to be impaired.

Notes to the group annual financial statements (continued)

for the year ended 30 June 2022

32. Related parties (continued)

	2022 R'000	2021 R'000
Loans to directors of subsidiaries		
As at 1 July	-	4 169
Loan reclassified from external party during the year ⁽²⁾	7 224	-
Loan reclassified to external party during the year ⁽¹⁾	-	(4 169)
As at 30 June	7 224	-

	2022 R'000	2021 R'000
Loans to key management		
As at 1 July	-	1 027
Loan reclassified to external party during the year ⁽¹⁾	-	(1 027)
As at 30 June	-	-

⁽¹⁾ The loans reclassified to external parties consist of loans to previous Ascendis directors and key management staff who have since left the group and the loans reclassified from external parties relate to loans to external parties who were appointed as directors during the course of the financial year.

⁽²⁾ Consists of a loan to a previous Ascendis director who previously left the company, but has been subsequently been appointed as a Board member.

	2022 R'000	2021 R'000
Transactions with related parties		
^ Farmalider (related party to Farmalider CEO)		
Sales force from Benel-Plus S.L.	-	419
Outsourced ITC to Dberenguer Servicios Integrales S.L.	-	745
Sale of dossiers to MMC International Health Holding S.L.U.	-	3 387
Interest on Loans received from MMC International Health Holding S.L.U.	-	148
Balances with related parties - subsidiaries		
^ Farmalider (related party to Farmalider CEO)		
Sale of dossiers to MMC International Health Holding S.L.U.	-	214
Loans received from MMC International Health Holding S.L.U.	-	3 930

[^] Farmalider was not considered a related party at year end as this business was disposed in July 2021

33. Contingent liabilities

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

The group discloses contingent liabilities where material economic outflows are considered possible but not probable.

The group is currently involved in two disputes, including one with a former advisor on a previous engagement and another with a shareholder of the company. The group is in consultation with its legal counsel, assessing the potential outcome of these disputes on an ongoing basis. As these disputes progress, management makes provision in respect of legal proceedings where appropriate.

34. Events after reporting period

Rights Offer

On 19 August 2022, the group managed to raise R101.53 million by way of a fully underwritten non-renounceable rights offer, through an offer of 143 million new Ascendis shares at an issue price of 71 cents per share, in the ratio of 29.70633 rights offer shares per every 100 Ascendis shares held on the record date for participating in such rights offer.

This is a non-adjusting post balance sheet event.

Pharma disposal

On 23 September 2022, Austell increased the offer to purchase Pharma from R410 million to R432 million. The group accepted this offer.

This is a non-adjusting post balance sheet event.



Company Annual Financial Statements

For the year ended
30 June 2022



Company statement of profit or loss and comprehensive income

for the year ended 30 June 2022

	Note	2022 R'000	2021 R'000
Revenue	1	-	46 386
Gross Profit		-	46 386
Other income	2	-	28 198
Expected credit losses allowance on loans to related parties	7	(465 104)	(688 122)
Expected credit loss allowance on financial guarantee liability	9	403 769	998 661
Other operating expenses	3	(199 330)	(467 681)
Operating loss		(260 665)	(82 558)
Finance income	4	83	581
Finance costs	4	(5 491)	(11 393)
Loss before taxation		(266 073)	(93 370)
Taxation credit/(expense)	5	51 308	(57 150)
Loss for the year		(214 765)	(150 520)
Other comprehensive income		-	-
Total comprehensive loss for the year		(214 765)	(150 520)

Company statement of financial position

at 30 June 2022

	Notes	2022 R'000	2021 R'000
Loans to related parties	7	-	2 377 481
Investments in subsidiaries	6	428 812	285 608
Non-current assets		428 812	2 663 089
Loans to related parties	7	3 065 451	1 529 576
Cash and cash equivalents	8	23 209	627
		3 088 660	1 530 203
Assets held for sale	16	-	95 202
Current assets		3 088 660	1 625 405
TOTAL ASSETS		3 517 472	4 288 494
Stated capital	12	6 136 358	6 136 358
Accumulated loss		(2 868 065)	(2 746 213)
Equity		3 268 293	3 390 145
Deferred tax liability	13	-	51 308
Non-current liabilities		-	51 308
Financial guarantee liability	9	-	403 769
Trade and other payables	11	1 326	166 990
Current income tax liabilities	15	13 457	18 655
Loans from related parties	7	234 396	140 819
Deferred vendor liability	10	-	116 808
Current liabilities		249 179	847 041
TOTAL LIABILITIES		249 179	898 349
TOTAL EQUITY AND LIABILITIES		3 517 472	4 288 494

Company statement of changes in equity

for the year ended 30 June 2022

R'000	Note	Stated capital	Accumulated loss	Total equity
Balance as at 1 July 2020		6 136 358	(2 595 693)	3 540 665
Loss for the year		-	(150 520)	(150 520)
Total comprehensive loss for the year		-	(150 520)	(150 520)
Balance as at 30 June 2021		6 136 358	(2 746 213)	3 390 145
Loss for the year		-	(214 765)	(214 765)
Total comprehensive loss for the year		-	(214 765)	(214 765)
Contribution to a subsidiary ⁽¹⁾		-	2 171	2 171
Balance as at 30 June 2022	12	6 136 358	(2 958 807)	3 177 551

⁽¹⁾ This relates to the company transferring investments to Ascendis Health SA Holdings (Pty) Ltd.

Company statement of cash flows

for the year ended 30 June 2022

		2022	Restated ⁽¹⁾ 2021
	Notes	R'000	R'000
Cash (utilised by)/generated from operations	14	(8 177)	(18 604)
Interest income received	4	83	581
Income taxes paid	15	-	(3 275)
Net cash (outflow)/inflow from operating activities		(8 094)	(21 298)
Cash flows from investing activities			
Repayment of loans advanced to related parties		-	1 257 058
Loans advanced to related parties		-	(1 275 251)
Net cash outflow from investing activities		-	(18 193)
Cash flows from financing activities			
Loans received from related parties	7	30 676	124 245
Repayment of loans received from related parties	7	-	(84 778)
Net cash inflow/(outflow) from financing activities		30 676	39 467
Net increase/(decrease) in cash and cash equivalents		22 582	(24)
Cash and cash equivalents at beginning of year		627	651
Cash and cash equivalents at end of year	8	23 209	627

⁽¹⁾ The prior year amounts have been restated in order to correct the classification of the cash movement. Refer to Note 18 for further details.

Accounting policies

for the year ended 30 June 2022

Corporate information

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

Basis of preparation

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

During the current year, the company considered the impact of COVID-19, Russia-Ukraine war and the floods in KwaZulu-Natal and these had very limited effect on the company's operations.

Principal accounting policies

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

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

Financial Instruments

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

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

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

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

Accounting policies

for the year ended 30 June 2022

Financial Instruments (continued)

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

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

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

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

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

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

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

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

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

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

Accounting policies

for the year ended 30 June 2022

Financial Instruments (continued)

Quantitative

Where the counterparty has not met its minimum contractual obligations.

Quantitative criteria

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

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

Investments in subsidiaries

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

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

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

Any potential impairment is determined on a basis consistent with the accounting policy on the impairment of intangible assets as presented in note 6 of the financial statements.

Stated capital

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

Accounting policies

for the year ended 30 June 2022

Significant estimates and accounting judgements

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

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

Significant estimates and judgements were made on the following items:

Key estimates

- Estimation of the expected credit loss allowance and measurement of financial guarantee liability (Note 9).
- Impairment testing and valuation of investments held by the company (Note 6).
- Recoverability of deferred tax assets (Note 13).

Accounting judgements

Classification of investments as current assets held for sale (Note 16)

Notes to the Company financial statements

for the year ended 30 June 2022

1. Revenue

The company generates revenue through dividends received. Revenue is recognised when the right to receive payment is established.

	2022 R'000	2021 R'000
Dividends received	-	46 386
	-	46 386

2. Other income

Other income consists of foreign exchange gains.

	2022 R'000	2021 R'000
Profit on exchange differences	-	28 198
	-	28 198

3. Other operating expenses

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

	2022 R'000	2021 R'000
Audit fees	257	53
Bank charges	9	9
Loss on exchange differences	192 226	520 469
Professional fees	47	635
Project costs	7 139	6 232
Reversal of impairment on investments in subsidiaries	-	(204 446)
Loss on disposal of investments	-	148 435
Other operating reversals	(348)	(3 706)
	199 330	467 681

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

4. Finance income and costs

Finance income

Finance income comprises of interest income on loans to related parties. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs

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

	Financial class	2022 R'000	2021 R'000
Finance costs			
Interest on deferred vendor liability	Amortised cost	(4 139)	(9 347)
SARS	Amortised cost	(1 352)	(2 046)
		(5 491)	(11 393)
Finance income			
Interest received on bank	Amortised cost	83	-
Intercompany interest income	Amortised cost	-	581
		83	581
Net finance costs			
		(5 408)	(10 812)

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

5. Income tax expense

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

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

Major components of the tax expense

	2022 R'000	2021 R'000
Current Tax		
Current tax on profits for the period	-	2 383
Prior years under provision of tax	-	3 459
	-	5 842
Deferred		
Current deferred tax charge	(51 308)	51 308
	(51 308)	51 308
Income tax expense	(51 308)	57 150
Tax at the South Africa tax rate	(28.0%)	28.0%
Exempt dividend income	0.0%	13.9%
Fines, penalties and interest	0.1%	0.0%
Non- taxable income	1.2%	0.0%
Disallowable charges- impairment of investments	198.0%	0.0%
Disallowable charges- deferred vendor interest and restructuring expenses	0.0%	(211.7%)
Disallowable charges-financial guarantee liability	(42.5%)	317.4%
Disallowable charges- provisions	(149.0%)	0.0%
Foreign exchange	0.9%	0.0%
Under/over provision prior year	0.0%	(208.8%)
Average effective tax rate	(19.3%)	(61.2%)

During the budget speech presented on 23 February 2022, the finance minister announced that the corporate tax rate will be reduced from 28% to 27%. This change has no effect on the current or prior income tax provision. Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax is calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 27% (2021: 28%).

At year end there were no deferred tax assets or liabilities recognised and therefore there are no long term effect of the tax rate change.

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

6. Investments in subsidiaries

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

Name of subsidiary	CGU	2022	2021	2022	2021
		% of ordinary shares held	% of ordinary shares held	R'000 Investment value	R'000 Investment value
Ascendis Health SA Holdings (Pty) Ltd ⁽¹⁾	Head Office	100%	100%	428 812	285 605
K2013197766 South Africa (Pty) Ltd	Chempure	100%	100%	3	3
Kyron Laboratories (Pty) Ltd	Kyron	0%	25%	-	95 202
Less : Reclassified as held for sale					
Kyron Laboratories (Pty) Ltd	Kyron	0%	25%	-	(95 202)
Total				428 815	285 608

⁽¹⁾ During the 2022 financial year, additional shares were issued of R143 million by Ascendis Health SA Holdings (Pty) Ltd for an increased stake in Kyron Laboratories (Pty) Ltd. Ascendis Health SA Holdings (Pty) Ltd sold Kyron Laboratories (Pty) Ltd during the year as part of the Ascendis Health restructuring process. In addition, the investments were reduced by R91 million which was used to settle the deferred vendor liability.

Impairment tests for investments in subsidiaries

No impairment tests were performed during the current year because there were no indicators triggering impairment.

In 2021, a reversal of impairment of R204.4 million was recognised as a result of the pending sale of Kyron Laboratories (Pty) Ltd, where the purchase price is higher than the impaired value of the investment.

7. Loans to / (from) related parties

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

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

7. Loans to / (from) related parties

2022

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

2021

Loans receivable	Basis for loss allowance ⁽¹⁾	Gross carrying amount R'000	Expected credit loss allowance R'000	Net carrying amount R'000
Anti-Aging Technologies (Pty) Ltd	Lifetime ECL	17	(8)	9
Ascendis Consumer Brands (Pty) Ltd	Lifetime ECL	25 657	(11 085)	14 572
Ascendis Financial Services (Pty) Ltd	Lifetime ECL	1 533 068	(550 973)	982 095
Ascendis Health International Holdings Ltd (Malta) #	Lifetime ECL	3 536 745	(990 652)	2 546 093
Ascendis Health UK Ltd	Lifetime ECL	66 927	(26 706)	40 221
Ascendis Management Services (Pty) Ltd	Lifetime ECL	66 110	(23 899)	42 211
Ascendis Medical (Pty) Ltd *	Lifetime ECL	6 120	(2 530)	3 590
Ascendis Pharma Holdings (Pty) Ltd	Lifetime ECL	22 307	(5 834)	16 473
Ascendis Skin and Body (Pty) Ltd	Lifetime ECL	47 274	(19 670)	27 604
Ascendis Supply Chain properties (Pty) Ltd (K766)	Lifetime ECL	41 000	(14 801)	26 199
Chempure (Pty) Ltd	Lifetime ECL	30 008	(12 717)	17 291
Dealcor Forty (Pty) Ltd *	Lifetime ECL	197	(83)	114
Elixir Brands (Pty) Ltd	Lifetime ECL	9 425	(2 500)	6 925
K2012179211 (South Africa) (Pty) Ltd *	Lifetime ECL	1 882	(784)	1 098
K2013126193 (South Africa) (Pty) Ltd	Lifetime ECL	62 153	(44 309)	17 844
Kyron Laboratories (Pty) Ltd #	Lifetime ECL	60 000	-	60 000
Marltons Pets & Products (Pty) Ltd	Lifetime ECL	3 000	(1 702)	1 298
Pharmachem Pharmaceuticals (Pty) Ltd	Lifetime ECL	35 474	(18 205)	17 269
Respiratory Care Africa (Pty) Ltd #	Lifetime ECL	9 766	(3 647)	6 119
The Scientific Group (Pty) Ltd	Lifetime ECL	127 705	(47 673)	80 032
		5 684 835	(1 777 778)	3 907 057

⁽¹⁾ Refer to Note 10 for further details regarding the credit risk management.

#Disposed

*Deregistered

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

7. Loans to / (from) related parties (continued)

	2022	2021
	R'000	R'000
Non-current	-	2 377 481
Current	3 065 451	1 529 576
Net loans receivable	3 065 451	3 907 057

	2022	2021
	R'000	R'000
Reconciliation of expected credit loss allowance		
Opening balance	(1 777 778)	(1 089 657)
Reversal of impairment/(impairment) ⁽¹⁾	1 416 985	(688 121)
Movement in loans balance	824 383	1 891
Changes in risk profile	592 602	(690 012)
As at 30 June	(360 793)	(1 777 778)

⁽¹⁾ The decrease in the loss allowance is due to a decrease in the probability of default (PD) used to calculate the ECL. The PD has decreased from 50.33% in the prior year to 28.92% in the current year.

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

Impairment of loans to related parties

As part of the recapitalisation of the Ascendis Group that occurred in the current year, loans to Ascendis Health Europe Holdings (AHEH) of R1 882 million were transferred from Ascendis Health International Holdings to the company. The loans were fully impaired and written off because AHEH was liquidated.

The carrying value of the loans receivables closely approximates the fair value.

	2022	2021
	R'000	R'000
Loans payable		
Ascendis Financial Services (Pty) Ltd	209 722	101 596
Nimue Skin (Pty) Ltd	-	2 241
Kyron Laboratories (Pty) Ltd	-	12 308
Ascendis Biosciences (Pty) Ltd	24 674	24 674
	234 396	140 819

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

	2022	2021
	R'000	R'000
Loans payable movement:⁽²⁾		
As at 1 July	140 819	101 353
Loans advanced in cash during the year	30 676	124 244
Loans repaid in cash during the year	-	(84 778)
Other loan advances during the current year ⁽³⁾	62 901	-
As at 30 June	234 396	140 819

⁽²⁾ The prior year split of the movements between loans advanced and repaid have been updated to clearly reflect the cash flows as per the restated cash flow statement.

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

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

8. Cash and cash equivalents

Cash and cash equivalents are accounted for at amortised cost.

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

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

	2022	2021
	R'000	R'000
Cash and cash equivalents consists of:		
Bank current account	23 049	467
Bank foreign currency accounts	160	160
Cash and cash equivalents per the cash flow statement	23 209	627

9. Financial guarantee liability

In terms of IFRS 9, the company is required to recognize a financial guarantee liability in relation to 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 company 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 expected credit losses (ECL) are a probability weighted estimate of the cash shortfalls (credit loss) 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.

Ascendis Health Limited along with other subsidiaries has jointly and severally guaranteed the Ascendis group borrowing facilities. 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.

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

9. Financial guarantee liability (continued)

Austell Loan Agreement

As at 30 June 2022, the group's total debt under the Austell facility was R498 million.

This debt was classified as current in line with the terms of the Austell Loan Agreement (refer note 3 of the Group AFS) that have a repayment term of 17 November 2022. At year end, the group does not have sufficient funds available to repay this debt, and is concluding the following corporate activities that will enable a complete solution to the debt, and an injection of liquidity into the group:

- On 19 August the Rights Issue was concluded resulting in the group raising R101.53 million.
- The disposal of the Pharma business is at an advanced stage, with the shareholder EGM expected to take place in October 2022. There are 2 bidders for the business, increasing deal certainty of the transaction. The completion of the Pharma disposal will result in the set off of either R375 million (under the Pharma-Q/Imperial transaction) or R410 million (under the Austell transaction), against the debt, subject to adjustments for closing net working capital.
- The group is in the process of negotiating the early release of the R50 million, including interest for the Animal Health escrow.

Based on the above, the main trigger for a defaulting event is the non-approval of the disposal of Pharma which is key in settling the debt.

Recognition of the financial guarantee liability

The following formula was used to determine the ECL: Exposure at Default (EAD) x Probability of Default (PD) and Loss Given Default (LGD).

In assessing the expected credit loss for the financial guarantee contract, the cash shortfalls adjusted by the specific risk were assessed taking into account the following:

- The implications and successful completion of the disposal of Pharma and consequences of failure
- The implications and successful completion of other funding arrangement that is currently in progress.

However, in the event of default, the following events are likely going to take place:

- Austell would enforce against the Pharma security
- Austell has indicated an interest in enforcing their security on the Solal range, part of Consumer Health for R100 million in order for the debt to be settled in full.

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

9. Financial guarantee liability (continued)

Management's assumptions and judgement 2022

- The guarantee liability relates to the new loan agreement with Austell. Hence the liability which was recognised in the 2021 financial year was derecognised in full during the current year when the related borrowing facilities were settled. The fair value of the financial guarantee liability at origination i.e., 17 May 2022 was assessed as R210 092.
- On 30 June 2022, the balance for the Senior debt is R498 million which is the EAD.
- The PD has been determined using Moody's RiskCalc PD model. The model uses a comprehensive multi-decade historical database of company financial information and default events rich in South African data, to calculate the PD.
- LGD was measured using Moody's RiskCalc LGD module assuming a default with a post default recovery methodology.
- The repayment of the debt in November is mainly dependant on the disposal of the Pharma business. As a result, the ECL was calculated, applying a 95% chance that the disposal will be implemented successfully, it is highly likely that Pharma will be disposed. The PD is measured for the remaining 4.5 months i.e., the 1-year PD was converted to the remaining term of the debt.
- In the event of a default, Austell is likely going to institute a claim on Pharma and Consumer Health, for the Solal range.
- As a result, it is determined that there is a 95% chance that Austell will institute a claim on Pharma and Consumer Health.
- The remaining 5% was applied on the rest of the guarantor entities.
- The ECL based on the 95/5 split is R3.3 million which is calculated at 0.66%.
- However, this is limited to the fair value of the investment held by the company, capped at 5% plus any excess cash holdings.
- The capped fair value amount is R163 469 and was not recognised because it is not significant.

Management's assumptions and judgement 2021

- On 30 June 2021 the Ascendis group senior debt was R6 716 million. The EAD is determined as R6 716.8million.
- The PD has been determined using Moody's RiskCalc PD model. The model uses a comprehensive multi-decade historical database of company financial information and default events rich in South African data, to calculate the PD.
- LGD was measured using Moody's RiskCalc LGD module assuming a default with a post default recovery methodology.

The repayment of the Ascendis group debt is dependent on the successful implementation of the group recapitalisations as detailed above. As a result, the ECL at 30 June 2021 was measured separately for consensual and non-consensual restructuring. The main factors driving a consensual restructure related to progress on the undertakings as well as conditions precedent as set out in the RSA as well as a favourable vote by shareholders at the general meeting scheduled for 4 October 2021. These scenarios were weighted based on progress made with regards to the group recapitalisation transaction and engagements with shareholders and were awarded a 75% and 25% probability for the consensual and non-consensual restructuring respectively. Where the successful implementation of the group restructuring was anticipated, the probability of default (PD) was measured for the remaining 6 months i.e., the 1-year PD was converted to 6 months. Where a non-consensual restructuring is anticipated, the PD and LGD has been assumed to be 100% which results in a loss.

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

9. Financial guarantee liability (continued)

- As at 30 June 2021, it was more evident where the lenders are likely going to institute a claim on the guarantors in the event of default. As a result, it was identified that the claim for the South African operations is likely to be made against Ascendis Health SA Holdings Proprietary Limited. In the event of default, lenders had the option to enforce their security over the European operations through Ascendis Health Europe Holdings (Luxembourg) or Ascendis Health International Holdings (Malta). Engagement with lenders implied their preference to enforce Luxembourg in that eventuality although certain considerations could pivot the decision to Malta. It was therefore determined that for the European operations there is a 75% chance of the claim being against Ascendis Health Europe Holdings and a 25% chance of it being against Ascendis Health International Holdings Limited. In addition, any cash holdings that exist in holding companies of these entities was considered thereby assuming that there will be a claim against Ascendis Health Limited for its small cash holdings. The ECL based on the 75/25 split is R1 913 million. However, this is limited to the fair value of the investment held by the company, capped at 5% plus any excess cash holdings. The capped fair value was determined as the maximum value that the lenders will get in the event of default. The ECL on the financial guarantee liability recognised in Ascendis Health Limited is R403.7 million. This was determined, taking into account the fair value of the investments held at R8 063 million (refer below for more detail), capped at 5% plus the excess cash holdings of R620 000.
- The ECL% is calculated at 29.3%.

	2022 R'000	2021 R'000
Face value of group borrowing facilities		
Term loan - European debt	-	3 474 268
Term loan - South African debt	498 164	1 828 564
Revolving credit facility	-	1 414 003
	498 164	6 716 835

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

	2022 R'000	2021 R'000
Financial guarantee liability	-	403 769
	-	403 769

	2022 R'000	2021 R'000
Financial guarantee movement:		
As at 1 July	403 769	1 402 430
Derecognised ⁽¹⁾	(403 769)	-
Provision reversed	-	(998 661)
As at 30 June	-	403 769

⁽¹⁾ The financial guarantee liability was derecognised during the current financial year as the debt facility was replaced by a new facility.

10. Deferred vendor liabilities

	2022 R'000	2021 R'000
Kyron Laboratories	-	116 088
Current	-	116 808
Deferred consideration	-	116 808

The deferred vendor liability was settled as part of the sale of Kyron Laboratories (Pty) Ltd. (See Note 6)

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

11. Trade and other payables

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

	2022 R'000	2021 R'000
Trade payables	1 004	960
Dividends refundable	-	165 908
Accrued expenses ⁽¹⁾	322	122
	1 326	166 990

⁽¹⁾ Accrued expenses comprise audit fees and project costs.

12. Stated capital

	2022 R'000	2021 R'000
Issued ordinary shares	6 136 358	6 136 358

Number of shares	2022	2021
Authorised shares (no par value)	2 000 000	2 000 000
Reconciliation of number of shares in issue (fully paid up):		
Ordinary shares - opening balance	489 470	489 470
Issued during the year	-	-
Ordinary shares - closing balance	489 470	489 470

13. Deferred tax

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

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

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

During the budget speech presented on 23 February 2022, the finance minister announced that the corporate tax rate will be reduced from 28% to 27%. Deferred tax is determined using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax is calculated on all temporary differences under the balance sheet liability method using a principal tax rate of 27% (2021: 28%).

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

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

13. Deferred tax (continued)

	2022 R'000	2021 R'000
Deferred tax liability		
Limit Deferred Tax Asset - Assessed losses to Nil	(82)	-
Expected credit losses	-	(244 083)
Change in statutory tax rate	3	-
Total deferred tax liability	(79)	(244 083)
Deferred tax asset		
Deferred Tax Asset - Assessed losses	82	49 922
Foreign exchange (gains)/losses	-	142 853
Change in statutory tax rate	(3)	-
Total deferred tax asset	79	192 775
Deferred tax asset / (liability) - movement		
Opening balance	(51 308)	-
Charges to profit and loss - current year		
- Foreign exchange (losses)/gains	(142 853)	142 853
Charges to profit and loss - Prior year correction		
- Expected credit losses	244 083	(244 083)
- Limitation of deferred tax to nil	(49 922)	49 922
Change in statutory tax rate	-	-
Closing balance	-	(51 308)
Deferred tax liability	(79)	(244 083)
Deferred tax asset	79	192 775
Total net deferred tax liability	-	(51 308)

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

14. Cash flow from operating activities

	2022 R'000	Restated ⁽¹⁾ 2021 R'000
Loss before taxation	(266 073)	(93 370)
Adjustments for:		
Net finance cost	5 408	10 812
Foreign exchange differences	191 819	492 271
Movement in financial guarantee liability	(403 769)	(998 661)
Profit on investment disposal	-	148 434
Impairment of investment	-	(204 446)
Dividend received	-	(46 386)
Impairment of loans	-	(3 721)
Expected credit loss allowance on loans to related parties	465 104	688 122
Changes in working capital:	-	
Trade and other payables	-	(11 659)
Provisions	(666)	-
Cash (utilised by)/generated from operations	(8 177)	(18 604)

⁽¹⁾ The prior year amounts have been restated in order to correct the classification of the cash movement. Refer to Note 18 for further details.

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

15. Tax paid

	2022 R'000	2021 R'000
Balance at the beginning of the year	(18 655)	(14 042)
Prior year under provision	-	(3 459)
Current tax for the year recognised in profit and loss	-	(2 383)
Other charges and penalties	(1 352)	(2 046)
Tax payments made on behalf of the company ⁽¹⁾	6 550	-
Tax paid	-	3 275
Balance at the end of the year	(13 457)	(18 655)

⁽¹⁾ These payments are capitalised to the loans payable to related parties.

16. Assets held for sale

Kyron Laboratories (Pty) Ltd, as part of the Animal Health business unit, was identified as non-core during to the group's strategy and was identified for divestment. The investment is classified as held for sale as at 30 June 2021 in terms of the requirements of IFRS 5. The transaction closed on 30 November 2021.

	2022 R'000	2021 R'000
Assets and liabilities classified as held for sale:		
Kyron Laboratories (Pty) Ltd	-	95 202
	-	95 202
Assets and liabilities held for sale movement:		
As at 1 July	95 202	10 500
Assets sold during the year	(95 202)	(10 500)
Reclassified from investments in subsidiaries	-	95 202
As at 30 June	-	95 202

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

17. Financial risk management

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

Categories of financial instruments

	Amortised cost R'000	Financial guarantee contracts R'000	Total carrying amount * R'000
2022			
Financial assets			
Loans to related parties	3 065 451	-	3 065 451
Cash and cash equivalents	23 209	-	23 209
	3 088 660	-	3 088 660
Financial liabilities			
Loans from related parties	234 396	-	234 396
Trade and other payables	1 326	-	1 326
	235 722	-	235 722
2021	R'000		R'000
Financial assets			
Loans to related parties	3 907 057	-	3 907 057
Cash and cash equivalents	627	-	627
	3 907 684	-	3 907 684
Financial liabilities			
Deferred vendor liability	116 808	-	116 808
Financial guarantee liability	-	403 769	403 769
Loans from related parties	140 819	-	140 819
Trade and other payables	166 990	-	166 990
	424 617	403 769	828 386

* The carrying amount of the financial assets and liabilities closely approximates the fair value.

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

17. Financial risk management (continued)

Liquidity risk

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

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

		3 months	1 year	1 and 2 years	2 and 5 years	Over 5 years	Total
	3 months	1 year	1 and 2 years	2 and 5 years	Over 5 years		
2021	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Deferred vendor liabilities	-	-	116 808	-	-	-	116 808
Financial guarantee liability	6 716 835	-	-	-	-	-	6 716 835
Loans from related parties	140 819	-	-	-	-	-	140 819
Trade and other payables	166 990	-	-	-	-	-	166 990
Total	7 024 644	-	116 808	-	-	-	7 141 452

Credit risk

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

	2022	2021
	R'000	R'000
The company is exposed to the following financial assets:		
Loans to related parties	3 065 451	3 907 057
Cash and cash equivalents - Ba3	626	627
Cash and cash equivalents - Ba2	22 583	627
	3 088 660	3 908 311

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

The company is also exposed to the group debt facility which it guarantees, the face value of the facility as at year end is R498 million (2021: R6.7 billion). Refer to note 9 for further details regarding financial guarantee contracts.

Impairment of financial assets

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

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

17. Financial risk management (continued)

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

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

Simplified parameter-based approach

The company applies the following credit risk grading:

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

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

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

	Gross R'000	Impaired R'000	Net R'000
2022			
Loans to related parties	3 426 244	(360 793)	3 065 451
2021			
Loans to related parties	5 684 835	(1 777 778)	3 907 057

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

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

	2022 R'000	2021 R'000
Opening loss allowance	(1 777 777)	(1 089 656)
Movement in loans balance	824 383	1 891
Changes in risk parameters	592 602	(690 012)
As at 30 June	(360 792)	(1 777 777)

Cash and cash equivalents

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

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

Interest rate risk

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

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

17. Financial risk management (continued)

Capital risk management

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

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

Foreign exchange risk

The company is significantly exposed to foreign exchange risk because the majority of foreign denominated balances arises from related party transactions.

The change in exchange rate applied in the below mentioned sensitivity analysis is based on the actual movement in exchange rates during the current and prior financial years respectively.

Foreign denominated balances held by the company ⁽¹⁾ 2022	R'000	Change in exchange rate	Impact on financial results R'000
Current assets			
UK pound sterling	66 929	0.00%	1
Net impact from foreign denominated balances	66 929		1

Foreign denominated balances held by the company ⁽¹⁾ 2021	R'000	Change in exchange rate	Impact on financial results R'000
Current assets			
Euros	2 418 404	13.70%	331 321
Net impact from foreign denominated balances	2 418 404		331 321

Currency	Closing rate	Average rate
Euros	16.78	16.73
Net impact of foreign exposure on profit/loss:	2 418 404	331 338

⁽¹⁾ The current asset balance relates to loans to related parties.

There were no current liabilities and assets impacting equity directly.

Notes to the Company financial statements (continued)

for the year ended 30 June 2022

18. Prior period error

Restatements for the year ended 30 June 2021

Restatement of comparative statement of cash flows and cash generated from operations

During the current year, it was identified that the cash movements in the statement of cash flows and the non-cash adjustments in the cash generated from operations note were calculated and presented incorrectly.

2021

Cash generated from operations	Reported R'000	Correction of error R'000	Restated R'000
Loss before taxation	(93 370)	-	(93 370)
Adjustments for:			
Net finance costs	10 812	-	10 812
Foreign exchange differences	492 271	-	492 271
Expected credit loss allowance in financial guarantee liability	(998 661)	-	(998 661)
Loss on investment disposal	148 434	-	148 434
Impairment of investments in subsidiaries	(204 446)	-	(204 446)
Dividend received	(46 386)	-	(46 386)
Impairment of loans	(3 721)	-	(3 721)
Expected credit loss allowance on loans to related parties	688 122	-	688 122
Changes in workings capital			
Trade and other payables	104 622	(116 281)	(11 659)
Cash generated from operations	97 677	(116 281)	(18 604)

Statement of cash flows	Reported R'000	Correction of error R'000	Restated R'000
Cash generated/(utilised) from operations	97 677	(116 281)	(18 604)
Interest income received	581	-	581
Income tax paid	(3 275)	-	(3 275)
Profit on exchange differences realised	918	(918)	-
Loss on exchange differences realised	(4 152)	4 152	-
Net cash inflow from operating activities	91 749	(113 047)	(21 298)
Cash flow from investing activities			
Repayment of loans advanced to related parties	1 187 781	69 277	1 257 058
Loans advanced to related parties	(1 307 036)	31 785	(1 275 251)
Net cash outflow from investing activities	(119 255)	101 062	(18 193)
Cash flow from financing activities			
Loans received from related parties	265 020	(140 775)	124 245
Repayments of loans received from related parties	(237 538)	152 760	(84 778)
Net cash outflow from financing activities	27 482	11 985	39 467
Net movement in cash and cash equivalents	(24)	-	(24)
Cash and cash equivalents at the beginning of the year	651	-	651
Cash and cash equivalents at the end of the year	627	-	627

Appendix A: Interests in subsidiaries

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

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

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

The following companies have been disposed during the year:

- Ascendis Animal Health (Pty) Ltd
- Ascendis Financial Services International SARL
- Ascendis Financial Services Europe Limited
- Ascendis Health International Holdings Ltd
- Ascendis Skin and Body (Pty) Ltd
- Ascendis Vet (Pty) Ltd
- Ascendis Wellness S.R.L (Romania)
- Biopharmaceutical Consulting & Associates, S.L.
- Brilata Limited
- Dealworth Ltd
- Dentalcare Pharma S.L
- Enia Lipotech S.L
- Enol Pharmaceutical Research S.L
- Farmalider İlaç Sanayi Ve Tic. LTD. STI.
- Farmalider, S.A.
- Goldbond Trading and Investments Limited
- Green High Tech S.L.
- High Tech Vision S.L(Spain)
- HRL Health Remedies Limited
- Innovazone Labs LLC
- Kadent Limited
- Kyron Laboratories (Pty) Ltd
- Kyron Prescriptions (Pty) Ltd
- Nutra Essential OTC S.L
- Pernbrook Ltd
- Pharma Integral Analytical Services, S.L.
- Remedica Holdings Ltd
- Remedica Ltd
- Respiratory Care Africa (Pty) Ltd
- Sunwave Pharma International Limited
- Toll Manufacturing Services S.L
- Vitalcare Pharma S.L

The following companies have been deregistered during the year:

- Ascendis Health Australia (Pty) Ltd
- Ascendis Health Europe Holdings
- Ascendis Medical (Pty) Ltd
- Respiratory Care Africa (Botswana) (Pty) Ltd

The following company's investment value has increased:

Appendix A: Interests in subsidiaries

- Ascendis Health SA Holdings (Pty) Ltd *(There was an increase due to the capitalisation of the loan and investment in Kyron Laboratories Pty Ltd prior to disposal)*

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

	Ordinary shares held by the group (%)	
	2022	2021
ANIMAL HEALTH		
Ascendis Animal Health (Pty) Ltd^	0%	100%
Ascendis Vet (Pty) Ltd^	0%	100%
Kyron Laboratories (Pty) Ltd^	0%	100%
Kyron Prescriptions (Pty) Ltd^	0%	100%

Appendix A: Interests in subsidiaries (continued)

	Ordinary shares held by the group (%)	
	2022	2021
CONSUMER HEALTH		
Anti-Aging Technologies (Pty) Ltd	100%	100%
Ascendis Consumer Brands (Pty) Ltd	100%	100%
Ascendis Health Australia (Pty) Ltd~	0%	100%
Ascendis Health UK Ltd	100%	100%
Ascendis Skin & Body (Pty) Ltd^	0%	100%
Ascendis Supply Chain (Pty) Ltd	100%	100%
Ascendis Wellness S.R.L.^	0%	100%
Bolus Distribution (Pty) Ltd	100%	100%
Chempure (Pty) Ltd	100%	100%
Dealcor Forty (Pty) Ltd#	100%	100%
HRL Health Remedies Ltd (Cyprus)^	0%	100%
Kadent Ltd (Cyprus)^	0%	100%
K2012179211 (South Africa) (Pty) Ltd	100%	100%
K2013197766 (Pty) Ltd	100%	100%
K2013126193 (South Africa) (Pty) Ltd	100%	100%
Sun wave Pharma International Limited (Cyprus)^	0%	100%
The Compounding Pharmacy of South Africa (Pty) Ltd	100%	100%
MEDICAL		
Ascendis Medical Supplies (Pty) Ltd (Namibia)#	100%	100%
Ascendis Medical (Pty) Ltd (Zambia)~	0%	100%
Ascendis Medical (Pty) Ltd	100%	100%
Lexshell 834 Investments (Pty) Ltd#	100%	100%
Ortho-Xact (Pty) Ltd*	100%	100%
Respiratory Care Africa (Pty) Ltd^	0%	100%
Respiratory Care Africa (Botswana) (Pty) Ltd~	0%	60%
Surgical Innovations (Pty) Ltd#	100%	100%
The Scientific Group (Pty) Ltd#	100%	100%
HEAD OFFICE		
Ascendis Financial Services (Pty) Ltd	100%	100%
Ascendis Financial Services International S.a.r.l (Luxembourg)^	0%	100%
Ascendis Financial Services Europe Limited (Cyprus)^	0%	100%
Ascendis Health Europe Holdings Ltd~	0%	100%
Ascendis Health International Holdings Ltd^	0%	100%
Ascendis Health SA Holdings (Pty) Ltd	100%	100%
Ascendis Management Services (Pty) Ltd	100%	100%
Elixir Brands (Pty) Ltd	100%	100%
Ascendis Health Spain Holdings SL#	100%	100%

Appendix A: Interests in subsidiaries (continued)

	Ordinary shares held by the group (%)	
	2022	2021
PHARMA		
Ascendis Pharma Healthcare Holdings (Pty) Ltd*	100%	100%
Alliance Pharma (Pty) Ltd	100%	100%
Ascendis Pharma (Pty) Ltd	100%	100%
Ascendis Pharma Holdings (Pty) Ltd	100%	100%
Biopharmaceutical Consulting (Pty) Ltd (South Africa)^	0%	75%
Brilata Ltd^	0%	100%
Dealworth Ltd^	0%	100%
Dentalcare Pharma Sl. (Spain)^	0%	100%
Enia Lipotech Sl. (Spain)^	0%	74%
Enol Pharmaceutical Research Sl.(Spain)^	0%	100%
Farmalider Ilaç Sanayi Ve Ticaret LTD.STI.^	0%	100%
Farmalider, S.A. (Spain)^	0%	49%
Green High Tech^	0%	44%
Goldbond Trading and Investments Ltd^	0%	100%
High Tech Vision Sl.(Spain)^	0%	90%
Innovazone Labs LLC (Spain)^	0%	60%
Medicine Developers International (Pty) Ltd	100%	100%
Nutra Essential otc Sl. (Spain)^	0%	79%
Pernbrook Ltd^	0%	100%
Pharmachem Pharmaceuticals (Pty) Ltd	100%	100%
Pharma Integral Analytical Services, S.L (Spain)^	0%	33%
Remedica Holdings Ltd^	0%	100%
Remedica Ltd^	0%	100%
Toll Manufacturing Services S.I (Spain)^	0%	100%
Vitalcare Pharma (Spain)^	0%	100%
BIOSCIENCES		
Ascendis Biosciences (Pty) Ltd	100%	100%
Klipspringer Products (Pty) Ltd#	100%	100%

*the investment value of these entities have been impaired in 2021 subsequent to the Group AFS being finalised

^entity disposed of during the year

~entity deregistered during the year

#entity disposed by K2012179211 (Pty) Ltd, Ascendis Medical (Pty) Ltd to Ascendis Health SA Holdings

Appendix B: Shareholders' information

	30 June 2022		30 June 2021	
	Number of shares	Percentage of shares	Number of shares	Percentage of shares
Spread of ordinary shareholders				
Public shareholders	339 089 352	69.3%	419 069 606	85.6%
Non-public shareholders				
- Directors and associates of the company	80 602 794	16.5%	737 721	0.2%
- Treasury shares (own holdings)	8 091 150	1.7%	7 975 969	1.6%
- Strategic holdings (more than 10%)	61 686 663	12.6%	61 686 663	12.6%
Total	489 469 959	100.0%	489 469 959	100.0%

According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following shareholders held 2% or more of the issued share capital at 30 June 2022:

	30 June 2022		30 June 2021	
	Number of shares	Percentage of shares	Number of shares	Percentage of shares
Major beneficial shareholders holding 2% or more ⁽¹⁾				
International Finance Corporation	61 686 663	12.6%	61 686 663	12.6%
Kefolile Health Investments (Pty) Ltd	56 321 482	11.5%	33 414 481	6.8%
Alpvest Equities (Pty) Ltd	36 608 772	7.5%	-	0.0%
Cambridge Investments (Pty) Ltd ⁽²⁾	17 774 894	3.6%	23 945 813	4.9%
Charalambos Pattihis	23 766 421	4.9%	23 766 421	4.9%
Cresthold (Pty) Ltd	10 465 259	2.1%	-	0.0%
Calibre Investment Holdings (Pty) Ltd	10 053 973	2.1%	-	0.0%

⁽¹⁾ Subsequent to year end, the rights offer was concluded which resulted in the following shareholders holding beneficial interest:

- a. Peresec Prime Brokers (Pty) Ltd
- b. Carl Neethling
- c. Cresthold (Pty) Ltd

⁽²⁾ Name changed from Coast2Coast Capital (Pty) Ltd

	30 June 2022		30 June 2021	
	Number of shares	Percentage of shares	Number of shares	Percentage of shares
Major fund managers no longer managing 2% or more				
Old Mutual Investment Group	1 359 713	0.3%	15 123 571	3.1%
Laurium Capital	-	0.0%	12 256 648	2.5%

	30 June 2022		30 June 2021	
	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
Distribution of registered shareholdings				
1 - 1 000	12 920	75.9%	1 977 289	0.4%
1 001 - 10 000	2 776	16.3%	9 825 469	2.0%
10 001 - 100 000	997	5.9%	34 708 331	7.1%
100 001 - 1 000 000	263	1.5%	76 910 982	15.7%
1 000 001 shares and over	60	0.4%	366 047 888	74.8%
	17 016	100.0%	489 469 959	100.0%

Country of Incorporation and domicile	South Africa
Registration number	2008/005856/06
Income tax number	9810/017/15/3
JSE share code	ASC
ISIN	ZAE000185005
Registered office	1 Carey Street Wynberg Gauteng 2191
Postal address	PostNet Suite #252 Private Bag X21 Bryanston 2021
Contact details	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
JSE sponsor	Questco Corporate Advisory (Pty) Ltd
Auditors	PricewaterhouseCoopers Inc.
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 Private Bag X9000, Saxonwold, 2132 Telephone: +27 (0)11 370 5000
Company secretary	TM Nkuna (B Com, LLB) investor.relations@ascendishealth.com
Directors	HJ Smit (Chairman)*^ SL Mulaudzi^ K Wellner^ A Chetty*^^ B Harie*^^ AC Neethling^^ (Chief transition officer and acting CEO) CJ Kujenga (CFO) # * Independent non-executive ^ Appointed 20 December 2021 ^^ Appointed 11 May 2022 # Resigned with effect from 30 September 2022 G Shayne resigned 6 June 2022 and R Dawes resigned 28 June 2022



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