Ascendis HEALTH LIMITED

SUMMARISED PROVISIONAL FINANCIAL RESULTS

For the year ended 30 June 2021

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Key Features (continuing operations)

Revenue up 1% to R2.2 billion

Gross profit +10% to R931 million

Gross profit margin +340 bps to 41.8%

Normalised EBITDA^{PM} of R14.2 million compared to Normalised loss before interest, tax depreciation and amortisation^{PM} of R69.7 million

Normalised operating loss improvement +74% to -R176 million

Headline loss per share 42% lower at -325.9 cents

Normalised headline loss per share of -273.1 cents

Commentary

Overview

Ascendis Health Limited and its subsidiaries ("the group") released a circular to shareholders on 3 September 2021 relating to the group recapitalisation and the disposals of Animal Health and Respiratory Care Africa ("RCA"). Post the group recapitalisation, the group will comprise of the three South African businesses namely Medical Devices (excluding RCA), Pharma and Consumer Health ("New Ascendis Health" or "continuing operations").

There has been positive momentum in the overall total group performance as evidenced by the Normalised EBITDA^{PM} compound annual growth rate ("CAGR") of 32% between the 2019 and 2021 financial years, despite difficult trading conditions resulting from the Covid-19 pandemic. The positive momentum in performance is also evident in the remaining assets that will comprise the New Ascendis Health.

This has contributed to the group being able to negotiate the group recapitalisation while retaining a set of core assets that have more value than what was previously envisaged in the divestment programme mandated by the previous Senior Facilities Agreement ("SFA") as signed on 5 June 2020. Under that programme the lenders required the group to sell all the assets in the group except for Farmalider, Pharma South Africa and Consumer South Africa.

The current group recapitalisation proposal offers improved value prospects for shareholders due to the shared upside on the disposal of Farmalider, together with exclusive access to Farmalider's value enhancing product portfolio. The licensing agreement concluded as part of the disposal process gives Pharma access to all Farmalider products, 40 of which have been identified for commercialisation. The Farmalider licensing agreement grants the Pharma division indefinite and exclusive access and rights to market Farmalider's portfolio of products for 14 Southern African Development Community countries (including South Africa) and 11 other African countries.

In addition, the current group recapitalisation proposal enables the group to retain the three remaining businesses in Medical Devices (excluding RCA) which would not have been included under the previous lender-led divestment programme.

The new draw down facility, equal to a Rand equivalent of €20 million, which will become available post the group recapitalisation, will ensure access to sufficient working capital for the businesses comprising the New Ascendis Health.

Financial performance

The current period results reflect the performance of the New Ascendis Health as continuing operations, and the rest of the subsidiaries are reflected as discontinued operations in line with the requirements of IFRS 5: Non-current assets held for sale and discontinued operations. The comparative results disclosed for period ended 30 June 2020 ("the prior corresponding period") have been restated accordingly.

The restated results for the corresponding period are also impacted by restatements in addition to those resulting from the requirements of IFRS 5. The reconciliation below provides a high-level overview of the impact of the reclassification of discontinued operations and the prior year adjustments:

					Continuing Operations		
	Revenue	Normalised EBITDA[PM]	Loss from continuing operations before tax	Loss from continuing operations after tax	Loss per share	Headline loss per share	Normalised headline earnings per share
	R'000	R'000	R'000	R'000	Cents	Cents	Cents
As reported in FY2020	**6 963**	**1 181**	**(959)**	**(903)**	**(174.0)**	**(49,3)**	**(6.0)**
- Transfer to discontinuing operations	(4 760)	(1 236)	(711)	(672)	(145.5)	(182.9)	(190.5)
- Impact of prior year restatements	-	(15)	(15)	13	2.8	2.8	2.8
Restated FY2020	**2 203**	**(70)**	**(1 685)**	**(1 562)**	**(316.7)**	**(229.4)**	**(193.7)**

Continuing operations

Revenue increased by 1% to R2 229 million (2020: R2 203 million) as all three businesses were adversely impacted by Covid-19. Medical Devices (excluding RCA) increased revenue by 13% due mainly to the strong performance from The Scientific Group ("TSG") which supplies PCR diagnostic kits (used to test for COVID-19) and diagnostic equipment to public and private hospitals. The growth in TSG was partially offset by the results from Surgical Innovations and Ortho-Xact which were negatively impacted due to the decline in demand for elective medical procedures and the reduction in trauma cases during the pandemic.

Revenue in Pharma declined by 17% due to the absence of the normal winter cold and flu season in 2020, reduced consumer spending during lockdown periods and private hospitals reducing elective surgeries which contributed to slow growth in key brands. Excluding Dezzo, the public sector tender and dispensing doctor business, which was sold on 28 February 2021, revenue in Pharma increased by 10%. Despite the slower revenue growth, leading brands such as Reuterina, Sinucon and Sinuend increased market share within very competitive market segments. Sales increased in May and June 2021 with the country's third wave of infections, particularly in probiotics and cold medications.

After declining by 2% in the first half, Consumer Health reported a stronger second half and grew revenue by 5% for the year. Strong demand for immunity building vitamins, minerals and supplements during the pandemic was offset by the closure of approximately 25% of the salon base impacting the Skin business, reduced contract manufacturing volumes, disrupted supply of raw materials and the factory closure for six weeks during lockdown due to Covid-19.

Commentary (continued)

Despite the decline in revenue, gross profit from continuing operations increased by 10% to R931 million, in part due to the positive impact of the disposal of the low margin Dezzo business housed within Pharma and various optimisation programmes implemented across the group. These optimisation programmes are discussed in further detail under the segmental performance section below. The gross profit margin improved by 340 bps to 41.8% (2020: 38.4%)

Operating expenses increased by 5% to R1 347 million and include transaction-related once-off costs of R274 million (2020: R227 million). Operating expenses include R143 million head office costs (2020: R142 million). The group is transitioning from a global business with eight segments to a local group with three segments and whose primary strategic objective is to unlock shareholder value in the shortest period possible. A head office restructure commenced in April 2021 aimed at significantly reducing the cost of the head office and aligning it to the new structure of the group. Whilst the final structure of head office is dependent on the strategy of the business, management believe that a target structure should be capped at 2.5% of revenue.

Notwithstanding the improvement in gross margin, the group reported a loss after tax from continuing operations of R1 616 million (2020: R1 562 million). The deterioration in the loss from continuing operations was driven predominantly by increased once-off costs related to disposal and restructuring transactions as well as increased finance costs.

Finance costs increased to R1 085 million (2020: R792 million) largely because of the payment-in-kind ("PIK") margin that is charged by the lenders on the senior debt.

Normalised earnings before interest, tax, depreciation, and amortisation (Normalised EBITDA^{PM}) from continuing operations increased by 120% to R14 million (2020: -R70 million), enabling the continuing operations to break even at a Normalised EBITDA^{PM} margin level.

The loss per share from continuing operations was -343.1 cents (2020: -316.7 cents) and normalised headline loss per share from continuing operations at -273.1 cents (2020: -193.7 cents).

Discontinued operations

The results of the offshore divisions, as well as Animal Health, Biosciences and RCA, are classified as discontinued operations in line with IFRS 5. Profit from discontinued operations increased by 3% to R561 million (2020: R547 million) driven by strong performances in RCA, Remedica and Sun Wave. The results of discontinued operations do not reflect any financing costs related to SFA debt; however, they have been adjusted for the transaction costs related to the group recapitalisation and related disposal processes.

Once-off costs included in discontinued operations amount to R178 million (2020: R38 million), including R142 million relating to the group recapitalisation. As indicated in the circular to shareholders on 3 September 2021, group recapitalisation costs are estimated to total R258 million at closure date. The balance of the costs will be incurred after year end.

Total group

Loss after tax from total operations is R1 055 million (2020: R1 015 million). Normalised EBITDA^{PM} from total operations increased by 18% to R1 446 million (2020: R1 222 million).

The loss per share from total operations was -226.5 cents (2020: -202.3 cents) and normalised headline loss per share from total operations at -25.9 cents (2020 normalised headline profit: 6.5 cents).

Commentary (continued)

Segmental performance

Continuing operations	June 2021 Revenue	June 2020 Revenue	Revenue growth	June 2021 Normalised EBITDA^{PM}	June 2020 Normalised EBITDA^{PM}	Normalised EBITDA^{PM} growth
	R'm	R'm	%	R'm	R'm	%
Medical Devices (ex RCA)	983	869	13	60	58	3
Pharma*	578	700	(17)	(6)	(45)	87
Consumer Health	668	634	5	85	59	44
Total	**2 229**	**2 203**	**1**	**139**	**72**	**94**

** The results of Pharma include revenue from Dezzo of R276 million (2020: R426 million) and normalised EBITDA^{PM} loss of -R26 million (2020: - R52 million).*

In FY2020 Medical Devices began a working capital optimisation programme that includes initiatives aimed at improving warehouse operations and demand planning, integrating and enhancing information systems and introducing additional governance. This programme has enabled the business to identify and write-off obsolete legacy inventory as well as plant and equipment in the current year and in the corresponding prior year. These write-offs are not adjusted for in Normalised EBITDA^{PM} but the extent of them is non-recurring. The segment results reflect a marginal improvement in Normalised EBITDA^{PM} of 3% to R60 million.

Furthermore, the results include costs related to a shared service platform within Medical Devices. These costs increased by 156% to R41 million (2020: R16 million) largely due to the start-up costs for the newly formed cardiology division, CardaXes. The shared services costs will be further reviewed in line with the revised structure of the segment following the disposal of RCA.

In addition to the disposal of Dezzo, focused operational cost rationalisation in Pharma resulted in a return to profitability during the fourth quarter. As a result, the business significantly reduced its Normalised EBITDA^{PM} loss from R45 million in 2020 to R6 million. This result includes a Normalised EBITDA^{PM} loss from Dezzo of R26 million (2020: R52 million). Adjusting for this historic loss the final Normalised EBITDA^{PM} of the Pharma segment of R20 million reflects a substantial turnaround from 2020 and is indicative of strong growth prospects in the business.

During the year, the Pharma business settled a long outstanding legal claim at approximately 40c in the Rand, thus removing a contingent liability risk that may have impacted future evaluation of the prospects for the business. This, when combined with the product pipeline and rationalisation benefits sets a strong platform for the business.

Execution of management's strategic priorities has underpinned the Consumer turnaround over the past two years. These priorities are ongoing and include SKU rationalisation to support margin improvement and reduce complexity; a review of the manufacturing options; improving in-fill rates and leveraging e-commerce and digitalisation. This was supported by a cost containment programme resulting in a 44% improvement in Normalised EBITDA^{PM} to R85 million (2020: R59 million).

Cash and capital management

Cash generation

Continuing operations generated cash from operating activities of R8 million. The group repaid borrowings of R99 million, including deferred vendor payments of R12 million in relation to KlubM5. The disposals of Scitec and Direct Selling generated net proceeds of R79 million.

Cash generated by discontinued operations amounted to R811 million. The group has access to utilise cash generated by discontinued operations within the parameters of the group recapitalisation primary restructuring implementation deed entered on 29 July 2021 between Ascendis Health and other members of the group and to which the lenders acceded on 27 August 2021, as amended from time to time. As part of the group recapitalisation, a short-term loan of R1 010 million will be instated to facilitate transfer of the disposal proceeds from RCA and Animal Health to the lenders. Any excess cash from the South Africa discontinued operations will also be applied towards settlement of this short-term loan, therefore the group continues to drive high cash conversion metrics in these businesses.

Working capital management (wip)

Net working capital from continuing operations improved with debtors' days of 71 days compared to 77 days in the prior year, and inventory days 153 days compared to 174 days in the prior year. These improvements have also positively impacted the group's cash position with closing cash in hand at year of R366 million.

The positive traction on debtors and inventory management was tempered by the continued pressure caused the group's high credit risk ratings that result in accelerated supplier payments.

Borrowings and covenants

Senior debt totalled R7 633 million on 30 June 2021 (2020: R7 963 million), reflecting debt under the SFA of R6 792 million (2020: R6 825 million) and deferred vendor liabilities of R841 million (2020: R1 137 million).

After the group recapitalisation and once the disposals of RCA and Animal Health have been completed, debt of the Rand equivalent of €15 million (approximately R255 million) will be reinstated and the group will have access to a new draw down facility of the Rand equivalent of €20 million (approximately R340 million).

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

On 30 June 2021, the target ratio was less than or equal to 6.6. The group achieved a ratio of 4.8, demonstrating an acceptable margin below the target ratio. Post the group recapitalisation, the only covenant will be a requirement to maintain a monthly liquidity headroom of R50 million.

Dividends

No dividends were declared or paid during the current or prior reporting period.

Commentary (continued)

Debt and group recapitalisation

The group entered an amended SFA with the senior lenders on 5 June 2020 to restructure its existing debt facilities and provide for the advance of new debt facilities. This arrangement allowed the group to extend the repayment obligations of the senior debt to 31 December 2021, with no capital payments required in advance of that date, other than repayments triggered because of asset disposals and the repayment of debt using excess cash beyond the group's needs. In addition, it enabled management to focus on driving operational performance, while a cash sweeping arrangement implemented at group level allowed for improved oversight of capital allocation.

Group recapitalisation

On 2 February 2021, two of the senior lenders, Blantyre Capital Limited ("Blantyre") and L1 Health GP SARL ("L1 Health"), advised the Board of directors that they had increased their collective exposure to over 75% of the company's debt. Later in February 2021 the Board and management began consensual negotiations with these lenders aimed at achieving an optimal outcome for all stakeholders. The group recapitalisation aims to restore balance sheet stability by reducing the group's unsustainably high debt levels, addressing the need for short-term funding and maximising the long-term strategic value of the business.

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

On 12 May 2021, the group entered into a restructuring support agreement ("RSA") regarding the recapitalisation and restructuring of the group's debt. The related implementation deed for the restructure was entered into by all parties on 27 August 2021.

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

The group recapitalisation results in the transfer of certain of the group's assets to the majority lenders in exchange for certain existing debt obligations being extinguished and the provision of new debt facilities.

Salient features of group recapitalisation

The salient terms of the group recapitalisation are as follows:

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

- Debt of €15 million will be reinstated by way of a two-year facility provided by the lenders.

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

Cost of funding

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

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

Liquidity

On 30 June 2021, the group's net consolidated cash and cash equivalents from continuing operations totalled R366 million (2020: R344 million). The group has performed detailed analysis of its liquidity requirements to 30 June 2022 which considered the phased utilisation of the new draw down facility of €20 million considering the various strategic scenarios and determined that the group will have sufficient cash resources available for this period. The group will have access to the €20 million upon successful completion of the Group Recapitalisation.

Further, various sensitivity analyses have been performed on the liquidity forecasts. These reflect that there may be a risk of breaching the covenants under the new facility in a worst-case scenario should a combination of significant erosion of access to credit terms with suppliers occur simultaneously with any shortfall on the budgeted financial performance for the 2022 financial year. The Board and management have put in place governance and monitoring mechanisms to guard against this worst-case scenario from materialising.

Consequence of failure to implement the group recapitalisation

The group recapitalisation is conditional upon shareholder approval of the special resolutions at the general meeting on 4 October 2021. The implications of the special resolution to approve the group recapitalisation not being passed are as follows:

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

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

Through ongoing communication and engagement with shareholders, the Board, management and its transaction advisers are canvassing support to encourage shareholders to vote in favour of the group gecapitalisation. Shareholders have repeatedly been advised of the consequences of the group recapitalisation not being implemented.

Going concern assessment

The group annual financial statements have been prepared on a going concern basis. The directors acknowledge the group's precarious financial position due to the high level of debt and compounding effect of the cost of debt, and the relevance of the going concern assessment in the context of the ongoing group recapitalisation. The progress and advanced engagement with the lenders on the group recapitalisation, the implications of the successful completion of this transaction as well as the consequences of a failed group recapitalisation have also been considered.

The directors have also considered the group's post-recapitalisation structure and the strategic options that are available for the remaining entities. The directors have concluded that the group can continue to operate as a going concern subject to the successful implementation of the group recapitalisation.

New Ascendis Health

The Board acknowledges that post the group recapitalisation the business finds itself at a critical strategic juncture and needs to determine and implement the optimal path for shareholder value creation.

The directors are considering whether to remain a listed group owing to the significantly reduced scale of New Ascendis Health, the costs associated with being listed and limited capital availability for growth opportunities in the remaining businesses.

As previously advised, the Board has engaged with various parties that have expressed interest in the remaining assets. The directors are assessing the viability and value proposition of a sale of the remaining businesses over the short-to-medium term, including the option of taking the remaining group private.

Andrew Marshall
Chairman

Mark Sardi
Chief executive officer

Cheryl-Jane Kujenga CA (SA)
Chief financial officer

Bryanston
30 September 2021

Audit statement

PricewaterhouseCoopers Inc. (PwC) have audited the consolidated annual financial statements of Ascendis Health Limited from which the summarised consolidated financial results have been extracted and issued an unqualified opinion with an emphasis of matter related to going concern as follows: the group's current liabilities exceeded its current assets by R40.1 million as at 30 June 2021 and that the group incurred a net loss before taxation from continuing operations of R1 531 million during the year then ended. Furthermore, the group's total level of debt continues to increase and its ability to repay its debt as it becomes due is dependent on the successful implementation of the group recapitalisation. These events or conditions, along with other matters 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. The details of the directors' considerations related to going concern are included in the commentary section of this announcement.

This announcement itself is not audited. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report together with the accompanying financial information, which is available on the company's website, and is available for inspection at the company's registered office.

Basis of preparation and approval

The summarised consolidated financial results for the year ended 30 June 2021 of Ascendis Health Limited have been extracted from the group's audited consolidated annual financial statements and have been prepared in accordance with and contain information required by:

- International Financial Reporting Standards (IFRS) including IAS 34 Interim Financial Reporting;
- the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- the Listings Requirements of the JSE Limited; and
- the South African Companies Act No. 71 of 2008.

The consolidated annual financial statements for the year ended 30 June 2021 have been prepared in compliance with IFRS and interpretations for year ends commencing on or after 1 January 2020.

The accounting policies applied in the preparation of the summarised consolidated annual financial statements are consistent with those applied for the consolidated annual financial statements in the current and previous year, except for the mandatory adoption of amendments to IFRS effective for 1 January 2020. The impact on the group's financial results, disclosures or comparative information as a result of these amendments is not significant.

The summarised consolidated financial statements appearing in this announcement have been accurately extracted from the full set of consolidated annual financial statements and have been prepared under the supervision of the chief financial officer, CJ Kujenga CA (SA). The summarised consolidated financial results of Ascendis Health Limited for the year end 30 June 2021 are the responsibility of the directors and were approved by the board on 29 September 2021.

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

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 (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), and normalised operating profit and normalised headline earnings per share (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).

PM's disclosed may not be comparable with similar labelled measures and disclosures provided by other entities and users should not use them in isolation or as a substitute for other measures. They are not intended to be projections or forecasts of future results. The directors confirm that there has been full compliance with the JSE's practice note 4/2019 as it relates to the PMs presented. Detailed disclosure of the performance measures is included on the Ascendis Health website: https://ascendishealth.com/wp-content/uploads/2020/09/Ascendis-Health-Performance-Measures-30-June-2020.pdf

Consolidated statement of profit or loss

for the year ended 30 June 2021

	Notes	2021 R'000	Restated [1] 2020 R'000
Continuing operations			
Revenue	7	2 229 085	2 203 027
Cost of sales		(1 298 406)	(1 356 871)
Gross profit		**930 679**	**846 156**
Other income		55 282	19 379
Selling and distribution costs		(167 189)	(149 238)
Administrative expenses		(670 778)	(569 996)
Net impairment loss on financial assets		(22 203)	(14 264)
Other operating expenses		(212 593)	(339 041)
Once off costs [2]		(274 293)	(226 579)
Net impairment loss on assets		(89 365)	(462 705)
Operating loss		**(450 460)**	**(896 288)**
Finance income		4 824	4 017
Finance costs		(1 085 139)	(792 341)
Loss before taxation		**(1 530 775)**	**(1 684 612)**
Tax (expense)/credit		(85 350)	122 947
Loss from continuing operations		**(1 616 125)**	**(1 561 665)**
Profit from discontinuing operations		561 158	546 600
Loss for the period		**(1 054 967)**	**(1 015 065)**
Loss attributable to:			
Owners of the parent		(1 090 804)	(965 808)
Continuing operations		(1 651 962)	(1 512 408)
Discontinued operations		561 158	546 600
Non-controlling interest		35 837	(49 257)
		(1 054 967)	**(1 015 065)**
Loss per share from continuing operations			
Basic and diluted loss per share (cents)	8	(343.1)	(316.7)
Total loss per share			
Basic and diluted loss per share (cents)	8	(226.5)	(202.3)

[1] The comparatives have been restated for the change in discontinued operations, correction of the deferred tax prior period error and the trade payables prior period error. Refer to Note 2 for further details.

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

Consolidated statement of comprehensive income

for the year ended 30 June 2021

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

Consolidated statement of financial position
at 30 June 2021

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

[1] The comparatives have been restated for the correction of the deferred tax prior period error and the trade payales prior period error. Refer to Note 2 for further details.

Consolidated statement of changes in equity

for the year ended 30 June 2021

R'000	Stated capital[2]	Foreign currency translation reserve	Revaluation reserve	Hedging reserve	Put-option non-controlling interest reserve	Other reserves	Retained income/ (Accumulated loss)	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance as at 1 July 2019 (Restated)[2]	**5 975 703**	**(3 648)**	**17 462**	**(2 215)**	**(114 407)**	**(34 413)**	**(3 927 302)**	**1 911 180**	**168 693**	**2 079 873**
IFRS 16 adjustment	-	-	-	-	-	-	899	**899**	-	899
Adjusted opening balance as at 1 July 2019 (Restated)	**5 975 703**	**(3 648)**	**17 462**	**(2 215)**	**(114 407)**	**(34 413)**	**(3 926 403)**	**1 912 079**	**168 693**	**2 080 772**
Loss for the period (restated)[2]	-	-	-	-	-	-	(965 808)	**(965 808)**	(49 257)	(1 015 065)
Other comprehensive (loss)/income	-	230 320	12 047	1 343	-	-	-	**243 710**	-	243 710
Total comprehensive (loss)/income for the period (restated)[2]	**-**	**230 320**	**12 047**	**1 343**	**-**	**-**	**(965 808)**	**(722 098)**	**(49 257)**	**(771 355)**
Dividends	-	-	-	-	-	-	4 226	4 226	(2 785)	1 441
Foreign currency translation reserve	-	(8 518)	1 886	-	(1 766)	12 796	-	4 398	8 518	12 916
Reclassification of reserves into retained earnings	-	(279)	-	872	21 106	15 287	(36 986)	-	-	-
Lapse of NCI put-option	-	-	-	-	95 067	-	-	95 067	-	95 067
Disposal/deregistration of subsidiary	-	-	-	-	-	(406)	-	(406)	-	(406)
Disposal of non-controlling interest	-	-	-	-	-	-	-	-	2 324	2 324
Statutory reserve: Farmalider	-	-	-	-	-	692	(337)	355	(355)	-
Total contributions by and distributions to owners of the group recognised directly in equity	**-**	**(8 797)**	**1 886**	**872**	**114 407**	**28 369**	**(33 097)**	**103 640**	**7 702**	**111 342**
Balance as at 30 June 2020	**5 975 703**	**217 875**	**31 395**	**-**	**-**	**(6 044)**	**(4 925 308)**	**1 293 621**	**127 138**	**1 420 759**
(Loss)/profit for the period	-	-	-	-	-	-	(1 090 804)	(1 090 804)	35 837	(1 054 967)
Other comprehensive income/(loss)	-	159 765	2 621	-	-	-	-	162 386	-	162 386
Total comprehensive income/(loss) for the period	**-**	**159 765**	**2 621**	**-**	**-**	**-**	**(1 090 804)**	**(928 418)**	**35 837**	**(892 581)**
Release of treasury shares[1]	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**

[1] Treasury shares to the value of R42.1 million have been released to equity in the current year.

[2] These amounts have been restated to correct the prior period errors, refer to Note 2 for further details.

Consolidated cash flow statement

for the year ended 30 June 2021

	Notes	2021 R'000	Restated [1] 2020 R'000
Cash flows from operating activities			
Cash (utilised by)/generated from operations		8 384	87 615
Cash generated from/(utilised by) operations - discontinued operations		810 672	571 635
Interest income received		4 824	4 018
Interest paid		(166 922)	(424 299)
Income taxes paid		(10 483)	(14 127)
Net cash inflow from operating activities		**646 475**	**224 842**
Cash flows from investing activities			
Purchases of property, plant and equipment		(39 201)	(43 282)
Proceeds on the sale of property, plant and equipment		390	7 153
Purchases of intangibles assets		(515)	(2 271)
Proceeds on the sale of intangible assets		23 286	-
Other financial assets advanced		-	(16 151)
Proceeds from disposal of other financial assets		2 639	-
Net cash outflow from investing activities - discontinued operations		(254 649)	109 434
Proceeds from disposal of subsidiaries - net of cash		170 205	423 996
Cash outflow from investing activities - discontinued operations [2]		(424 854)	(314 562)
Net cash (outflow)/inflow from investing activities		**(268 050)**	**54 883**
Cash flows from financing activities			
Proceeds from borrowings raised		150 649	636 592
Repayment of borrowings		(86 798)	(785 952)
Repayments on deferred vendor liabilities		(12 000)	-
Lease liabilities repaid		(36 719)	(24 756)
Net cash outflow from financing activities - discontinued operations		(282 008)	(190 568)
Net cash outflow from financing activities		**(266 876)**	**(364 684)**
Net increase/(decrease) in cash and cash equivalents		**111 549**	**(84 959)**
Restricted cash balance at the beginning of the period		75 057	45 515
Other cash and cash equivalents balance at the beginning of the period		268 926	351 600
Cash and cash equivalents at beginning of period		343 983	397 115
Effect of exchange difference on cash balances		24 111	37 308
Cash and cash equivalents at the beginning of the period - assets held for sale	5	61 944	56 463
Cash and cash equivalents at end of period - assets held for sale	5	(175 675)	(61 944)
Restricted cash balance at the end of the period		60 442	75 057
Cash and cash equivalents balance at the end of the period		305 469	268 926
Cash and cash equivalents at end of period		**365 911**	**343 983**

[1] The comparatives have been restated for the change in discontinued operations.

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

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

Notes to the financial statements

for the year ended 30 June 2021

1. Group segmental analysis

Revenue split by segment	2021 R'000	Restated[1] 2020 R'000
Consumer Health	1 867 692	2 753 486
Africa	673 220	687 559
Scitec	131 841	1 188 607
Sun Wave	1 062 631	877 320
Pharma	3 479 373	3 495 112
Africa	577 699	700 183
Remedica	2 268 070	2 176 186
Farmalider	633 604	618 743
Medical	1 969 248	1 464 111
Animal Health	571 825	488 973
Biosciences	324 578	336 258
Other	-	3 984
Less: Discontinued operations	(5 983 631)	(6 338 897)
Total revenue	**2 229 085**	**2 203 027**

Revenue by geographical location	2021 R'000	Restated[1] 2020 R'000
South Africa	4 116 570	3 677 084
Cyprus	2 268 070	2 176 186
Spain	633 604	618 743
Hungary	131 841	1 188 607
Romania	1 062 631	877 320
Other	-	3 984
Less: Discontinued operations	(5 983 631)	(6 338 897)
Total revenue	**2 229 085**	**2 203 027**

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

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

1. Group segmental analysis (continued)

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

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

Statement of financial position measures applied

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

(1) The comparatives have been restated for the correction of the deferred tax prior period error and the trade payables prior period error. Refer to Note 2 for further details.

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

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

2. Restatements for the year ended 30 June

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

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

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

Prior period errors

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

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

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

2. Understatement of trade payable in Surgical Innovations

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

2. Restatements for the year ended 30 June 2021 (continued)

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

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

Notes to the financial statements
for the year ended 30 June 2021

2. Restatements for the the year ended 30 June 2021 (continued)

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

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

Notes to the financial statements
for the year ended 30 June 2021

3. Borrowings and other financial liabilities

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

	2021 R'000	2020 R'000
SFA debt		
Euro denominated term loans	3 474 268	3 402 133
Euro denominated RCF	935 445	960 140
ZAR denominated term loans	1 828 564	1 534 832
ZAR denominated RCF	478 558	413 536
Total senior debt	**6 716 835**	**6 310 641**
Other Borrowings		
Cyprus loan facility (1)	-	160 449
Loans with financial institutions - Spain (1)	-	272 155
Other facilities	75 639	81 965
Total other debt	**75 639**	**514 569**
Total borrowings and other financial liabilities	**6 792 474**	**6 825 210**

(1) Transferred to liabilities held for sale in the current year.

The split between current and non-current borrowings and other financial liabilities		
Non-current liabilities	8 222	6 285 087
Current liabilities	6 784 252	540 123
	6 792 474	**6 825 210**

SFA Euro denominated facilities

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

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

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

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

3. Borrowings and other financial liabilities (continued)

SFA Rand denominated facilities

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

- Facility B1, with an outstanding balance of R592.4 million which consist of R504.0 million capital and R88.4 million of capitalised interest.
- Facility B2, with an outstanding balance of R1 023.8 million which consist of R869.3 million capital and R154.5 million of capitalised interest.
- Facility E2, with an outstanding balance of R212.4 million which consist of R193.2 million capital and R19.2 million of capitalised interest.

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

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

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

SFA covenants and divestment milestones

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

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

3. Borrowings and other financial liabilities (continued)

Facilities post group recapitalisation

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

- Reinstated debt of €15 million (circa R255 million). Interest on this facility will be charged at JIBRA plus 9% PIK.
- Access to new draw down facility of up to the ZAR equivalent of €20 million (circa R340 million). Interest on this facility will be charged at JIBRA + cash margin of 3.3% and 3% PIK.

Both facilities have a 2 year term.

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

4. Deferred vendor liabilities

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

Kyron deferred vendor liability

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

Remedica deferred vendor liability

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

5. Discontinued operations

The group recapitalisation transaction and related disposal processes has enabled the business to clearly identify segments that should be classified as discontinued operations for the year ended 30 June 2021.

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

These are detailed below:

Animal Health

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

Respiratory Care Africa (RCA)

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

Farmalider

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

Ascendis Health International Holdings (AHIH) Group

As part of the group recapitalisation as disclosed in Commentary, the entities within the AHIH group are reclassified as discontinued operations and held for sale as at 30 June 2021. These entities include the Remedica group and the Sun Wave group.

Completed disposals

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

Ascendis Direct

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

Scitec

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

5. Discontinued operations (continued)

Dezzo

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

Biosciences

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

5. Discontinued operations (continued)

2021

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

Restated [1]

2020

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

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

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

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

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:

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

6. Disposal of subsidiaries

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

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

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

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

	2021 R'000 Biosciences	Dezzo	Ascendis Direct	Scitec	Total
Property, plant and equipment	-	73	18	-	91
Intangible assets and goodwill	3 164	1	-	-	3 165
Right-of-use assets	409	-	-	-	409
Deferred tax assets	10 849	1 341	8 581	1 402	22 174
Current income tax receivable	11 300	-	839	-	12 139
Inventories	63 244	66 864	-	183 518	313 626
Trade and other receivables	54 457	-	1 845	180 158	236 460
Other financial assets	6 972	-	-	-	6 972
Cash and cash equivalents	4 523	-	2 579	18 488	25 590
Total assets	**154 919**	**68 279**	**13 862**	**383 566**	**620 626**
Lease liabilities	(22 976)	-	(2 176)	(87 457)	(112 609)
Deferred tax liability	(23 578)	-	(47)	(70 457)	(94 082)
Trade and other payables	(52 090)	(33 289)	(3 329)	(128 866)	(217 574)
Provisions	(9 296)	(182)	(1 433)	(4 658)	(15 569)
Current income tax payable	-	-	(114)	(6 196)	(6 310)
Total liabilities	**(107 940)**	**(33 471)**	**(7 099)**	**(297 634)**	**(446 144)**
Carrying amount of net (liabilities)/assets	**46 979**	**34 808**	**6 763**	**85 932**	**174 482**
Foreign exchange differences reclassified	-	-	7 196	310 456	317 652
Total disposal consideration - cash	**81 110**	**14 506**	**10 255**	**89 923**	**195 794**
Gain/(loss) on disposal	**34 131**	**(20 302)**	**(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 financial statements
for the year ended 30 June 2021

7. Revenue

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

[1] The comparatives have been restated for the change in discontinued operations.

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

8. Earnings per share

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

[1] The comparatives have been restated for the change in discontinued operations, correction of the deferred tax prior period error and the trade payables prior period error. Refer to Note 2 for further details.

8. Earnings per share (continued)

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

[1] The comparatives have been restated for the change in discontinued operations, correction of the deferred tax prior period error and the trade payables prior period error. Refer to Note 2 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. Events after reporting period

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

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

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

Group Recapitalisation

On 27 August 2021, the group and its forbearance creditors (being Blantyre and L1 Health) signed a primary restructuring implementation deed (implementation deed) and is now bound by its terms and conditions. The implementation deed sets out the detailed steps that must be taken for the implementation of the group recapitalisation and the conditions to which the group recapitalisation is subject. The implementation deed supplements the restructuring support agreement (RSA), details of which are outlined under the going concern note. The group recapitalisation is a category 1 transaction and subject to a shareholder vote at the general meeting scheduled for 4 October 2021.

Group strategy post the group recapitalisation

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

Farmalider disposal

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

Animal Health disposal

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

9. Events after reporting period (continued)

Other

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

Administration

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
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Postal address	PostNet Suite #252 Private Bag X21 Bryanston 2021
Contact details	+27 (0)11 036 9600 info@ascendishealth.com www.ascendishealth.com
JSE sponsor	Questco Corporate Advisory (Pty) Ltd
Auditors	PricewaterhouseCoopers Inc.
Transfer secretaries	Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 Private Bag X9000, Saxonwold, 2132 Telephone: +27 (0)11 370 5000
Company secretary	TM Nkuna (B Com, LLB) mpeo.nkuna@ascendishealth.com
Directors	AB Marshall (Chairman)* B Harie# Dr KS Pather* J Sebulela* SS Ntsaluba* MJ Sardi (CEO) CJ Kujenga (CFO)^ ** Independent non-executive* *# Lead independent non-executive* *^ Appointed 1 December 2020*

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