



**ANNUAL REPORT
FOR THE YEAR ENDED
31 March 2015**

AFT PHARMACEUTICALS LIMITED

Annual Report

For the Year Ended 31 March 2015

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AFT PHARMACEUTICALS LIMITED

Company Directory As at 31 March 2015

Registered Office

Level 1, Nielsen House
129 Hurstmere Road
Takapuna
Auckland

Directors

Dr Hartley Atkinson
Marree Atkinson
Nate Hukill (appointed 14 May 2014)
Jon Lamb
Malcolm Tubby
Doug Wilson

Auditors

PricewaterhouseCoopers
188 Quay Street
Auckland

Solicitors

Harmos Horton Lusk Limited
AJ Pietras & Co
Kemp Strang
Cooley LLP

Bankers

BNZ Bank, New Zealand
NAB Bank, Australia
ANZ Bank, Singapore
AmBank, Malaysia

Date of Formation

4th September 1997

Company Number

873005

AFT PHARMACEUTICALS LIMITED

Company Directory

As at 31 March 2015

Shareholders

Dr Hartley Atkinson and Colin McKay as Trustees for the Atkinson Family Trust	1,179,600	Ordinary shares
Total Ordinary Shares	1,179,600	
Capital Royalty Partners II L.P.	18,668	Series A Preferred Shares
Capital Royalty Partners II - Parallel Fund "A" L.P.	25,469	Series A Preferred Shares
Capital Royalty Partners II (Cayman) L.P.	5,863	Series A Preferred Shares
Capital Royalty Partners II - Parallel Fund "B" (Cayman) L.P.	50,000	Series A Preferred Shares
T.E.A. Custodians (Milford) Limited	40,000	Series A Preferred Shares
Total Preferred Shares	140,000	
TOTAL SHARES	1,319,600	

AFT PHARMACEUTICALS LIMITED

Annual Report For the Year Ended 31 March 2015

The Directors present herewith this Annual report including Financial Statements of the Group for the year ended 31 March 2015 on pages 4 -37.

Section 211 of the Companies Act 1993 requires the following disclosures:

The Company and Group are involved in the distribution of pharmaceutical products and the development of pharmaceutical intellectual property.

The nature of the Company and Group's business has not changed from the prior year.

Auditors

PricewaterhouseCoopers are the Auditors of the Group.

Audit Expenditure was incurred during the year as shown in the notes to the Financial Statements.

Directors

The following Directors held office during the year:

Dr Hartley Atkinson

Marree Atkinson

Jon Lamb

Nate Hukill (appointed 14 May 2014)

Malcolm Tubby

Doug Wilson

The following Directors held office in subsidiaries during the year:

Mohammed Bin Abdullah

Chia Lai Kuan

Raymond MacGregor

Andrew Moore

Giles Moss

Directors Fees

No director's fees were paid during the year. It is noted that Hartley Atkinson, Marree Atkinson and Malcolm Tubby all received a salary as employees from the Company during the year.

Dividends

Dividend paid to Preferred shareholders during the year amounted to \$1,040,351.

AFT PHARMACEUTICALS LIMITED

Annual Report

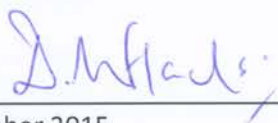
For the Year Ended 31 March 2015

Employee Remuneration

Twenty-seven employees received remuneration and/or any other benefits exceeding \$100,000 during the year:


\$100,000 to \$109,999	14
\$110,000 to \$119,999	2
\$120,000 to \$129,999	4
\$160,000 to \$169,999	2
\$170,000 to \$179,999	2
\$220,000 to \$229,999	1
\$250,000 to \$259,999	1
\$350,000 to \$359,999	1

Director



Dated 8 October 2015

Director



Dated 8 October 2015

AFT PHARMACEUTICALS LIMITED

Consolidated Income Statement For the Year Ended 31 March 2015

	Note	2015 \$'000	2014 \$'000	2013 \$'000
Revenue	4	56,241	48,939	40,363
Cost of sales		(35,083)	(28,609)	(23,073)
Gross Profit		21,158	20,330	17,290
Other income	5	1,270	1,684	536
Selling and distribution expenses	6	(17,157)	(12,063)	(8,884)
General and administrative expenses	6	(5,475)	(4,227)	(3,904)
Research and development expenses	6	(5,761)	(4,868)	(4,299)
Operating (Loss)/Profit		(5,965)	856	739
Finance income		35	2	352
Finance costs	6	(7,225)	(2,030)	(785)
(Loss)/Profit before tax	6,7	(13,155)	(1,172)	306
Tax benefit/(expense)	7	282	59	(134)
(Loss)/Profit after tax attributable to owners of the parent		(12,873)	(1,113)	172
Basic and diluted earnings per share (\$)	25	(10.91)	(0.94)	0.15

AFT PHARMACEUTICALS LIMITED

Consolidated Statement of Comprehensive Income For the Year Ended 31 March 2015

	2015 \$'000	2014 \$'000	2013 \$'000
(Loss)/Profit after tax	(12,873)	(1,113)	172
Other comprehensive income			
May be subsequently reclassified to profit and loss:			
Foreign currency translation reserve	332	(170)	11
Fair value losses of cash flow hedges	(305)	-	-
Other comprehensive income for the year, net of tax	27	(170)	11
Total comprehensive income for the year attributable to owners of the parent	(12,846)	(1,283)	183

AFT PHARMACEUTICALS LIMITED

Consolidated Statement of Changes in Equity For the Year Ended 31 March 2015

	Share capital \$'000	Cash flow Hedge reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	TOTAL EQUITY \$'000
Balance 31 March 2012	41	-	(7)	4,122	4,156
Profit after tax	-	-	-	172	172
Other comprehensive income	-	-	11	-	11
Balance 31 March 2013	41	-	4	4,294	4,339
Loss after tax	-	-	-	(1,113)	(1,113)
Other comprehensive income	-	-	(170)	-	(170)
Capital raising expenses	(8)	-	-	-	(8)
Balance 31 March 2014	33	-	(166)	3,181	3,048
Loss after tax	-	-	-	(12,873)	(12,873)
Other comprehensive income	-	(305)	332	-	27
Issue of share capital	13,894	-	-	-	13,894
Capital raising expenses	(1,035)	-	-	-	(1,035)
Dividends paid and provided	-	-	-	(1,040)	(1,040)
Balance 31 March 2015	12,892	(305)	166	(10,732)	2,021

AFT PHARMACEUTICALS LIMITED

Consolidated Balance Sheet

As at 31 March 2015

	Note	2015 \$'000	2014 \$'000	2013 \$'000
ASSETS				
Current assets				
Inventories	8	14,686	12,654	10,704
Trade and other receivables	9	11,251	9,558	7,751
Cash and cash equivalents	10	4,700	1,248	1,082
Current income tax asset		88	109	55
Total current assets		30,725	23,569	19,592
Non-current assets				
Property, plant and equipment	11	411	405	485
Intangible assets	12	1,669	1,419	1,059
Deferred income tax assets	7	408	-	-
Total assets		33,213	25,393	21,136
LIABILITIES				
Current liabilities				
Trade and other payables	14	8,258	8,530	4,116
Provisions	15	1,890	678	173
Derivative liabilities	20	305	-	-
Total current liabilities		10,453	9,208	4,289
Non-current liabilities				
Interest bearing liabilities	16	20,739	13,137	12,508
Total liabilities		31,192	22,345	16,797
EQUITY				
Share capital	17	12,892	33	41
Retained earnings/(Accumulated losses)		(10,732)	3,181	4,294
Cash flow hedge reserve		(305)	-	-
Foreign currency translation reserve		166	(166)	4
Total equity		2,021	3,048	4,339
Total liabilities and equity		33,213	25,393	21,136

AFT PHARMACEUTICALS LIMITED
Consolidated Statement of Cash Flows
For the Year Ended 31 March 2015

	Note	2015 \$'000	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		53,877	47,997	38,481
Interest received		35	2	7
Payments to suppliers and employees		(64,156)	(46,348)	(41,543)
Tax (paid)/received		(11)	(82)	(416)
Interest and finance cost paid		(2,850)	(1,859)	(500)
Net cash (used in)/generated from operating activities	18	(13,105)	(290)	(3,971)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property, plant and equipment		(139)	(60)	(120)
Sale of property, plant and equipment		5	-	-
Purchases of intangible assets		(349)	(442)	(367)
Net cash used in investing activities		(483)	(502)	(487)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital		13,894	-	-
Share issue costs		(1,035)	(8)	-
Dividends paid		(763)	-	-
New borrowings		18,176	1,000	7,884
Repayment of borrowings		(13,137)	(18)	-
Net cash generated from financing activities		17,135	974	7,884
Net increase in cash		3,547	182	3,426
Impact of foreign exchange on cash and cash equivalents		(95)	(16)	-
Opening cash and cash equivalents		1,248	1,082	(2,344)
Closing cash and cash equivalents		4,700	1,248	1,082

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

1. GENERAL INFORMATION

AFT Pharmaceuticals Limited (the 'Company') is a company which is incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993. These financial statements comprise AFT Pharmaceuticals Limited and its subsidiaries (together referred to as the Group). The group is a pharmaceutical distributor and developer of pharmaceutical intellectual property.

The financial statements of the group have been prepared in accordance with the requirements of the Companies Act 1993. As group financial statements are prepared and presented for AFT Pharmaceuticals Ltd and its subsidiaries, separate financial statements for AFT Pharmaceuticals Ltd are no longer required to be prepared under the Companies Act 1993.

These financial statements are authorised for issue on 8 October 2015 by the Directors.

2. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention with the exception of derivative instruments revalued to fair value.

(a) Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

Reclassifications

The presentation of the 31 March 2015 financial statements and the accompanying disclosure notes has been made to better represent the nature of the costs and balances as the business evolves to allow for improved comparability. This new presentation has been applied to the 31 March 2014 and 31 March 2013 comparatives. The following changes have been applied:

Income statement

- Other income is aggregated into one item and the breakdown (research and development grant and licencing income items) is outlined in note 5.
- Interest expense is now represented as finance costs with finance income separately disclosed.
- Research is aggregated with new market development costs to form one research and development expenses item. Internal wage costs associated with Research and Development have been classified as such.
- All other expenses have been classified as either selling and distribution expense or general and administrative expenses based on their underlying function.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements

For the Year Ended 31 March 2015

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

Reclassifications (Continued)

Balance sheets

- GST payable is included with accounts payable in trade and other payables.
- Other provisions have been reclassified to other payables due to the balances being accruals and not meeting the criteria of a provision.

The accounting policies presented below have been applied consistently to all periods presented in these consolidated financial statements.

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded where necessary to the nearest thousand dollars.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the parent and the results of its subsidiaries controlled at year end.

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statements of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between subsidiary company are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(c) Critical accounting estimates and assumptions

In preparing these financial statements the Group made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations or future events that are believed to be reasonable under the circumstances. The main critical estimate and assumption used is the recognition of deferred tax, detailed within Note 7. It is not expected that this estimate and assumption will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(iii) Foreign operations

The results and balance sheets of all foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions.

(e) Revenue recognition

Revenue comprises the fair value for the sale of goods, excluding Goods and Services Tax, rebates and discounts.

- The sales of goods are recognised when the product is delivered to customer.

(f) Other income recognition

Other income comprises of research and development grant and licensing income:

• Research and development grant

Research and development grant income is recognised when eligible research and development expenses are incurred and conditions relating to the grant are satisfied.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

2. STATEMENT OF ACCOUNTING POLICIES (Continued) (f) Other income recognition (Continued)

• *Licensing income*

Licensing income comprises milestone payments due under out-licensing agreements. Milestone payments represent a minor portion of the economic benefits of the out-licensing agreements (the primary benefits being the sale of product and royalties earned on licensee sales). The milestones are recognised as income depending on the terms of each out-licensing agreement.

(g) **Finance income recognition**

Finance income comprises of interest income which is recognised on a time-proportion basis using the effective interest method.

(h) **Property, plant & equipment**

All plant and equipment is stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the diminishing value method which is apports the cost of the assets over their useful lives. The Group has the following classes of property, plant & equipment and depreciation rates:

<i>Category</i>	<i>Depreciation Rate (%)</i>
Plant & machinery	21% to 80%
Fixtures & fittings	9% to 60%
Vehicles	26% to 36%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds to carrying amounts and are included in the statements of comprehensive income.

(i) **Intangible assets**

Finite Useful Life

Acquired patents have a finite life and are carried at cost less accumulated amortisation. Patents are amortised over a useful economic life of 20 years.

Indefinite Useful Life

Acquired trademarks are considered to have an indefinite useful life whilst they continue to protect revenue streams. Trademarks are carried at cost less accumulated impairment. Indefinite useful life assets are tested for impairment annually or when impairment indicators exist. The assets' carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(j) Goods & services tax

The Income Statement and the Statement of Comprehensive Income have been prepared so that all components are stated exclusive of NZ & AU GST. All items in the Balance Sheet are stated net of GST, with the exception of account receivables and payables which include GST invoiced. All components of Statement of Cash Flows are stated exclusive of GST.

(k) Income tax

The income tax expense recognised for the period is based on the accounting profit or loss, adjusted for non-taxable and non-deductible differences.

Current tax is calculated by reference to the amount of income tax payable calculated using tax laws that are enacted or substantively enacted at balance date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset or liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Leased assets

Operating leases are those in which all the risks and rewards are substantially retained by the lessor. Lease payments are charged in the income statement on a straight line basis over the term of the lease.

(n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Bad debts are written off in the year in which they are identified. Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statements of Comprehensive Income.

(o) Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. These amounts are incurred and are usually paid within 30 days of recognition.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(p) Borrowings

Borrowings are initially recognised at fair value plus transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (plus transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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 balance sheet date.

Borrowing costs are expensed as incurred.

(q) Share capital

Ordinary shares and preferred shares are classified as equity. Both carry equal voting rights. Preferred shares attract a dividend yield.

(r) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(s) Employee entitlements

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in trade payables or provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements is carried at the present value of estimated future cash flows.

(t) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Indefinite useful life assets are tested for impairment annually and whenever there are indicators of impairment while finite useful life assets are tested only when there are indicators of impairment.

(u) Derivative financial instruments

The Group benefits from the use of derivative financial instruments to manage foreign currency exposures.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts in place and the actual exchange rate at year-end. Considered level 2 of the fair value hierarchy.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(u) Derivative financial instruments (Continued)

For the purposes of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss is recognised in the Income Statement.

(v) Research and development

Research is the original and planned investigation undertaken with the prospect of gaining new knowledge and understanding. This includes: direct and overhead expenses for research, pre-clinical trials and costs associated with clinical trial activities. All research costs are expensed when incurred.

Development is the application of research findings to a plan or design for the production of new or substantially improved processes or products prior to the commencement of commercial production. When a project reaches the stage where it is reasonably certain that future expenditure can be recovered through the process or products produced, expenditure that is directly attributable or reasonably allocated to that project is recognised as a development asset. The asset will be amortised from the date of commencement of commercial production of the product to which it relates on a straight line basis over the period of expected benefit. Development assets are reviewed annually for any impairment in their carrying value.

(w) Earnings per share

Basic earnings per share is computed by dividing net earnings by the number of ordinary shares outstanding during each period.

There are no share options, securities or other contracts to issue shares that would dilute earnings per share.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

3. STANDARDS OR INTERPRETATIONS NOT YET EFFECTIVE

No new standards that have been issued and are effective for the periods beginning 1 April 2014 are considered to materially impact the recognition, measurement or disclosure of these financial statements. The below are new standards and amendment that have been issued that are not yet effective:

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.

There are no other NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

4. REVENUE FROM OPERATIONS

	2015 \$'000	2014 \$'000	2013 \$'000
Sale of goods	56,241	48,939	40,363
Total Revenue	56,241	48,939	40,363

5. OTHER INCOME

	2015 \$'000	2014 \$'000	2013 \$'000
Research and development grant	974	787	536
Licencing income	296	897	-
Total other income	1,270	1,684	536

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

6. NET OPERATING PROFIT

	2015 \$'000	2014 \$'000	2013 \$'000
(Loss)/Profit before tax	(13,155)	(1,172)	306
After charging the following specific expenses:			
Finished goods material component of cost of goods sold	34,674	27,836	22,863
Inventory write off	409	773	210
Audit fees and review of financial statements	50	32	25
Donations	25	1	-
Rental expense	600	476	418
Operating leases	321	266	240
Short term employee emoluments:			
Selling and distribution expenses	4,512	3,047	2,417
General and administrative expenses	1,995	1,526	1,487
Research and development	849	873	507
	7,356	5,446	4,411
Research and development expenses:			
Product development	3,772	3,273	2,998
New market development	1,140	722	794
Employee emoluments	849	873	507
	5,761	4,868	4,299
Depreciation:			
Plant and machinery	75	79	68
Furniture and fixtures	27	30	32
Vehicles	27	31	46
	129	140	146
Amortisation:			
Patents	73	63	39
Software	26	19	-
	99	82	39
Finance Costs:			
Interest	1,943	965	649
Foreign exchange gains/losses	3,466	975	-
Other financing costs	1,816	90	136
	7,225	2,030	785

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

7. INCOME TAX

	2015 \$'000	2014 \$'000	2013 \$'000
(a) Tax expense			
Loss before tax	(13,155)	(1,172)	306
Tax calculated at domestic tax rates applicable	(3,627)	(335)	88
Expenses not deductible and other	57	147	46
Losses not recognised	3,489	151	-
Prior year adjustment	(201)	(22)	-
Tax (benefit)/expense	(282)	(59)	134
Comprising:			
Current tax	126	(59)	134
Deferred tax	(408)	-	-
	(282)	(59)	134

Expenses not deductible and other were disaggregated in the 2014 and 2013 financial statement notes as: entertainment expenses not deductible, tax effect on permanent difference, and tax losses not recognised (net NRWT) items. These have been combined within Expenses not deductible and other in the 2015 financial year.

(b) Deferred tax balance

Provisions	408	-	-
	408	-	-

Deferred tax assets relating to unused tax loss carry-forwards and to deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences. As at 31 March 2015, the Group recognised deferred tax assets on temporary differences totalling \$408,000 since it was foreseeable that temporary differences could be offset against future taxable profits. On the basis of the approved business plans of subsidiaries, AFT Pharmaceuticals Limited considers it probable that temporary differences can be offset against future taxable profits. There is no expected change in capital structure in the near future which is expected to affect the recoverability of the recognised deferred tax assets.

The amount of tax losses carried forward that is available for future utilization is \$12,686,000 (2014: \$541,483; 2013: nil). No deferred tax asset has been recognized in relation to these losses.

(c) Imputation credits available for use	1,443	2,391	2,182
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AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

8. INVENTORIES

	2015 \$'000	2014 \$'000	2013 \$'000
Inventory on hand	14,899	12,841	10,920
Provision for obsolescence	(213)	(187)	(216)
	14,686	12,654	10,704

Inventory on hand comprises pharmaceutical goods ready for resale.
The value of inventory is transferred to cost of sales in the income statement when sold.

9. TRADE AND OTHER RECEIVABLES

	2015 \$'000	2014 \$'000	2013 \$'000
Trade receivables	10,448	8,488	6,620
Prepayments	803	1,070	1,131
	11,251	9,558	7,751

Ageing of overdue trade debtors but not considered impaired					
	1-30 Days \$'000	31-60 Days \$'000	61-90 Days \$'000	90+ Days \$'000	TOTAL \$'000
31 March 2015	630	-	-	3	633
31 March 2014	582	2	15	5	604
31 March 2013	242	86	22	98	448

All balances are expected to be settled within the next 12 months.

10. CASH AND CASH EQUIVALENTS

	2015 \$'000	2014 \$'000	2013 \$'000
Cash at bank	4,654	1,242	1,077
Cash on hand	46	6	5
	4,700	1,248	1,082

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

11. PROPERTY PLANT & EQUIPMENT

	Plant and Machinery \$'000	Furniture and Fixtures \$'000	Vehicles \$'000	TOTAL \$'000
(a) Cost				
Balance 31 March 2012	334	315	306	955
Additions	90	30	-	120
Disposals	-	-	-	-
Balance 31 March 2013	424	345	306	1,075
Additions	46	14	-	60
Disposals	-	-	(29)	(29)
Balance 31 March 2014	470	359	277	1,106
Additions	106	11	22	139
Disposals	-	(8)	(32)	(40)
Balance 31 March 2015	576	362	267	1,205
(b) Depreciation				
Balance 31 March 2012	(212)	(80)	(152)	(444)
Depreciation	(68)	(32)	(46)	(146)
Disposals	-	-	-	-
Balance 31 March 2013	(280)	(112)	(198)	(590)
Depreciation	(79)	(30)	(31)	(140)
Disposals	-	-	29	29
Balance 31 March 2014	(359)	(142)	(200)	(701)
Depreciation	(75)	(27)	(27)	(129)
Disposals	-	6	30	36
Balance 31 March 2015	(434)	(163)	(197)	(794)
(c) Carrying amounts				
Balance 31 March 2012	122	235	154	511
Balance 31 March 2013	144	233	108	485
Balance 31 March 2014	111	217	77	405
Balance 31 March 2015	142	199	70	411

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

12. INTANGIBLE ASSETS

	Trademarks \$'000	Patents \$'000	Software \$'000	TOTAL \$'000
(a) Cost				
Balance 31 March 2012	128	653	182	963
Additions	37	330	-	367
Disposals	-	-	-	-
Balance 31 March 2013	165	983	182	1,330
Additions	18	402	22	442
Disposals	-	-	-	-
Balance 31 March 2014	183	1,385	204	1,772
Additions	95	217	37	349
Disposals	-	-	-	-
Balance 31 March 2015	278	1,602	241	2,121
(b) Amortisation				
Balance 31 March 2012	-	(72)	(160)	(232)
Amortisation	-	(39)	-	(39)
Disposals	-	-	-	-
Balance 31 March 2013	-	(111)	(160)	(271)
Amortisation	-	(63)	(19)	(82)
Disposals	-	-	-	-
Balance 31 March 2014	-	(174)	(179)	(353)
Amortisation	-	(73)	(26)	(99)
Disposals	-	-	-	-
Balance 31 March 2015	-	(247)	(205)	(452)
(c) Carrying amounts				
Balance 31 March 2012	128	581	22	731
Balance 31 March 2013	165	872	22	1,059
Balance 31 March 2014	183	1,211	25	1,419
Balance 31 March 2015	278	1,355	36	1,669

Trademarks are acquired to protect the current and future revenue streams of the group.

They are considered to have an indefinite useful life whilst they continue to protect revenue streams.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

13. INVESTMENT IN SUBSIDIARIES

	Interest Held			Country of Incorporation	Principal Activities
	2015	2014	2013		
	%	%	%		
AFT Pharmaceuticals Pty Ltd	100%	100%	100%	Australia	Distribution of pharmaceuticals in Australia
AFT Pharmaceuticals Singapore Pte Ltd	100%	100%	100%	Singapore	Registration of pharmaceuticals in Singapore
AFT Pharmaceuticals (S.E. Asia) Sdn Bhd	100%	100%	100%	Malaysia	Distribution of pharmaceuticals in Malaysia
AFT Orphan Pharmaceuticals Limited	65%	65%	65%	New Zealand	No activity

Investment comprises ordinary shares held at cost.

All subsidiaries have a balance date of 31 March.

14. TRADE AND OTHER PAYABLES

	2015	2014	2013
	\$'000	\$'000	\$'000
Trade payables	5,661	6,400	3,688
GST payable	671	297	128
Employee entitlements	382	303	213
Other payables	1,544	1,530	87
	8,258	8,530	4,116

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

15. PROVISIONS

	2015	Additional Provisions	Utilised	2014	Additional Provisions	Utilised	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Customer rebates	998	963	(215)	250	156	(79)	173
Supplier rebates	892	464	-	428	428	-	-
	1,890	1,427	(215)	678	584	(79)	173

Customer rebates are based on the customers' ability to achieve certain sales targets and are computed using the expected rebate percentage for sales made during the period.

Supplier rebates are based on profit sharing arrangements with suppliers which are estimated on achieving expected set margin targets.

16. INTEREST BEARING LIABILITIES

	2015	2014	2013
	\$'000	\$'000	\$'000
CRG (Capital Royalty Partners) loans	20,739	-	-
BNZ term loans	-	13,137	12,508
	20,739	13,137	12,508

The term loan agreement with CRG commenced in May 2014 and has a facility to be drawn down up to US\$30million. It is for a six year term for which the first four years only interest is payable, which is compounded, with the principle to be repaid in equal quarterly instalments in years five and six.

The loan has a general security over the assets of the Group together with a group guarantee. Interest is fixed at 13.5% p.a. Details of the two covenants relevant to the loan are in note 24 Management of Capital.

The fair value of the CRG loan is \$20.1million based on a discounted cashflow calculation considered to be level 3 in the fair value hierarchy. The fair value of the BNZ term loans in 2014 and 2013 approximated carrying value.

The BNZ loan is secured by the assets of the Company, a guarantee from the H&M Atkinson Family Trust and a mortgage over property of the H&M Atkinson Family Trust. Interest rates range from 5.49% to 6.35% per annum. The loans were repaid in May 2014.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

17. SHARE CAPITAL

	Shares			Shares		
	2015 Number	2014 Number	2013 Number	2015 \$	2014 \$	2013 \$
Ordinary share capital	1,179,600	1,000	1,000	41	41	41
Series A Preferred Shares	140,000			13,894		
Less capital raising costs				(1,043)	(8)	-
	1,319,600	1,000	1,000	12,892	33	41

	2015 \$'000	2014 \$'000	2013 \$'000
Share capital at beginning of the year	33	41	41
Issue of share capital - Series A Preferred Shares	13,894	-	-
Less capital raising costs	(1,035)	(8)	-
	12,892	33	41

The 1,000 ordinary authorised, issued, fully paid with no par value shares held by the Atkinson family trust were split into 1,200,000 shares in May 2014. 20,400 of these were then sold to T.E.A. Custodians (Milford) Limited and converted into Series A Preferred Shares. There are a total of 1,179,600 ordinary shares.

119,600 Series A Preferred Shares were authorised and issued, fully paid at USD\$100 each, with no par value in May 2014. The Series A Preferred Shares carry a yield of net 6% payable to the holder in cash quarterly or at the election of the company satisfied by the issue of further shares. All dividends were paid in cash during the period. There are a total of 140,000 Series A Preferred Shares as at 31 March 2015. The Series A Preferred Shares convert 1:1 (subject to any adjustment in accordance with the constitution) to ordinary shares at the option of the holder, or automatically upon the earlier of (i) immediately before the closing of a public offering of shares in the company which results in a market capitalisation of the company at least US\$150million or (ii) the date specified by vote or written consent of the holders of a majority of the then outstanding Series A Preferred Shares. The Series A Preferred Shares carry voting rights on all shareholder resolutions, with each Series A Preferred share carrying one vote for each ordinary share into which it is able to convert. Upon winding up of the Group the preferred shares have priority over the ordinary shares in distribution.

All shares have equal voting rights.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

18. RECONCILIATION OF PROFIT AFTER TAX WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	2015 \$'000	2014 \$'000	2013 \$'000
(Loss)/Profit after tax	(12,873)	(1,113)	172
Non-cash items:			
Depreciation	129	140	146
Amortisation	99	82	39
Impact of foreign exchange on cash and cash equivalents	95	16	-
Movement in working capital:			
(Increase)/Decrease in inventories	(2,058)	(1,921)	(2,988)
(Increase)/Decrease in trade and other receivables	(1,954)	(1,777)	(2,856)
Increase/(Decrease) in trade and other payables	3,843	4,338	1,765
Increase/(Decrease) in income tax	(386)	(55)	(249)
Net cash (used in)/generated from operating activities	(13,105)	(290)	(3,971)

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

19. RELATED PARTIES

The Group had related party relationships with the following entities:

<u>Related party</u>	<u>Nature of relationship</u>
Redvers Limited	Common Director
Mainz Consulting Limited	Common Director
tUnz Finance Limited	Common Director
CRG (Capital Royalty Partners)	Shareholder

The following transactions were carried out with these related parties:

(i) Consultation fees

	2015 \$'000	2014 \$'000	2013 \$'000
Redvers Limited	101	106	-
Mainz Consulting Limited	55	40	42
tUnz Finance Limited	-	-	113
Total consultation fees	156	146	155

\$60,000 (2014: \$15,000; 2013: nil) of the Redvers consultation fees were owing in Trade and other payables at 31 March 2015.

(ii) Loans

	2015 \$'000	2014 \$'000	2013 \$'000
CRG (Capital Royalty Partners) - refer to note 16	20,739	-	-
Total loan balances	20,739	-	-

(iii) Key management compensation

	2015 \$'000	2014 \$'000	2013 \$'000
Salaries and other short term benefits	694	655	546
Key management compensation	694	655	546

Key management is comprised of the Managing Director, Chief of Staff, and the Chief Financial Officer. These three positions are mainly responsible for the planning, controlling, and directing the activities of the business. The Chief of Staff is the spouse of the Managing Director.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

20. FINANCIAL RISK MANAGEMENT

(a) Managing financial risk

The Company's activities expose it to various financial risks as detailed below.

• Market risk

Management is of the opinion that the Group's exposure to market risk at balance date is defined as:

Risk Factor	Description	Sensitivity
(i) Currency risk	Exposure to changes in foreign exchange rates on assets and liabilities of the subsidiary	As below
(ii) Interest rate risk	Exposure to changes in interest rates on borrowings	As below
(iii) Other price risk	No commodity securities are bought, sold or traded	Nil

• Foreign exchange risk

The Group purchase goods and services from overseas suppliers and has borrowings which are denominated in US Dollar amounts. This exposes the Group to foreign currency risk. The Group manages foreign currency risk through use of derivative arrangements, the exposure is monitored on a regular basis based on Group foreign exchange policies.

A 1% increase or decrease in foreign exchange rates on assets and liabilities will reduce/increase equity by \$113,000 (2014: \$110,000; 2013: \$87,000) and reduce/increase the profit or loss by \$131,000 (2014: \$6,000; 2013: \$53,000).

The following forward foreign exchange contracts were held at the end of the 2015 financial year:

Forward Foreign Exchange Contracts				
Buy Currency	Buy Currency Amount ('000)	Sell Amount NZD ('000)	Buy Amount 31-Mar-15 NZD ('000)	MTM Value NZD ('000)
EUR	3,310	5,267	4,873	(394)
GBP	460	923	922	(1)
USD	3,130	4,142	4,232	90

Total exposure as at 31 March 2015: (305)

All contracts mature within one year from 31 March 2015.

• Interest rate risk

Borrowings are at a fixed interest rate which exposes the group to fair value interest rate risk. There are no specific derivative arrangements to manage this risk.

• Credit risk

Financial instruments which potentially subject the Group to credit risk principally consist of accounts receivable. Regular monitoring is undertaken to ensure that the credit exposure remains within the Group's normal terms of trade.

The Group has one significant concentration of credit risk at 31 March 2015 with the largest debtor being \$3,563,128 (2014: \$1,480,618; 2013: \$1,255,010). There has been no past experience of default and no indications of default in relation to this debtor. There are no impaired receivables at 31 March 2015 (2014: nil; 2013: nil).

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

20. FINANCIAL RISK MANAGEMENT (Continued)

(a) Managing financial risk (Continued)

• Credit risk (continued)

The Group's cash and short term deposits are placed with high credit quality financial institutions. Accordingly, the Group has no significant concentration of credit risk other than bank deposits with 8.4% of total assets at the Bank of New Zealand (2014: 0.5%; 2013: 1.3%) and 5.4% at NAB Bank (2014: 4.4%; 2013: 3.6%). The carrying value of financial assets represents the maximum exposure to credit risk.

• Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds at short notice to meet its commitments and arises from the need to borrow funds for working capital. The Directors monitor the risk on a regular basis and actively manage the cash available to ensure the net exposure to liquidity risk is minimised. Since May 2014, there has been a \$1million BNZ overdraft immediately available and an undrawn fund facility from Capital Royalty Partners which can be drawn as required by the Group.

The liquidity/maturity profile of the liabilities is as follows:

	Liquidity Profile				
	< 1 Year \$'000	1-2 Years \$'000	2-5 Years \$'000	> 5 Years \$'000	TOTAL \$'000
31 March 2015					
Trade and other payables	(8,258)	-	-	-	(8,258)
Borrowings	-	-	-	(33,545)	(33,545)
Derivative liabilities (outbound)	(10,027)	-	-	-	(10,027)
Derivative liabilities (inbound)	9,722	-	-	-	9,722
Totals	(8,563)	-	-	(33,545)	(42,108)

31 March 2014					
Trade and other payables	(8,530)	-	-	-	(8,530)
Borrowings	-	-	(15,097)	-	(15,097)
Totals	(8,530)	-	(15,097)	-	(23,627)

31 March 2013					
Trade and other payables	(4,116)	-	-	-	(4,116)
Borrowings	-	-	(14,374)	-	(14,374)
Totals	(4,116)	-	(14,374)	-	(18,490)

(b) Fair Values

The carrying value of financial assets and liabilities (trade receivables and trade payables) approximates their fair value. Trade receivables are valued net of provision and trade payables are valued at their original amounts by contract.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

21. SEGMENT REPORTING

	Operating Segments				
	Australia \$'000	New Zealand \$'000	Asia \$'000	Rest of World \$'000	TOTAL \$'000
31 March 2015					
Revenue	26,324	29,398	161	358	56,241
Other income	-	-	-	1,270	1,270
Depreciation and amortisation	16	209	3	-	228
Loss before tax	(4,409)	(4,470)	(978)	(3,298)	(13,155)
Finance income	-	35	-	-	35
Finance costs	(385)	(6,817)	(23)	-	(7,225)
Total Assets	11,436	22,111	(334)	-	33,213
Property, plant and equipment	34	366	11	-	411
Intangible assets	-	1,669	-	-	1,669
Capital expenditure	19	456	13	-	488
31 March 2014					
Revenue	20,035	28,790	-	114	48,939
Other income	-	-	-	1,684	1,684
Depreciation and amortisation	10	212	-	-	222
Profit/(Loss) before tax	577	371	-	(2,120)	(1,172)
Finance income	-	2	-	-	2
Finance costs	(945)	(1,085)	-	-	(2,030)
Total Assets	11,059	14,334	-	-	25,393
Property, plant and equipment	28	377	-	-	405
Intangible assets	-	1,419	-	-	1,419
Capital expenditure	-	502	-	-	502
31 March 2013					
Revenue	12,915	27,448	-	-	40,363
Other income	-	-	-	536	536
Depreciation and amortisation	7	178	-	-	185
Profit/(Loss) before tax	302	3,009	-	(3,005)	306
Finance income	-	352	-	-	352
Finance costs	(60)	(725)	-	-	(785)
Total Assets	12,297	8,839	-	-	21,136
Property, plant and equipment	44	441	-	-	485
Intangible assets	-	1,059	-	-	1,059
Capital expenditure	16	471	-	-	487

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

21. SEGMENT REPORTING (Continued)

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). For the purposes of NZ IFRS 8 the CODM is a group comprising the Board of Directors (which includes the Managing Director, the Chief of Staff and the Chief Financial Officer). This has been determined on the basis that it is this group which determines the allocation of the resources to segments and assesses their performance.

The Group has four operating segments based on geographical location reportable under NZ IFRS 8, as described below, which are the Group's strategic groupings of business units. The following summary describes the operations in each of the Groups reporting segments:

New Zealand – Includes the Head Office function for the Group, supplier relationships and procurement of all stock for the group, all regulatory activity, all marketing activity and all finance activity. The sales and distribution activity principally relates to the New Zealand market.

Australia – Includes the sales and distribution activity relating to the Australian market.

Asia – Includes the sales and distribution activity relating to the Asian market (Brunei, Hong Kong, Malaysia, Philippines, Singapore and Vietnam).

Rest of World – Includes the out licensing of IP developments to markets in which AFT does not have a presence and the export of products to export markets (Balkans, Iraq, Pacific Islands, Saudi Arabia, UAE). The costs of research and development activity not specific to the other segments are expensed to this segment.

Major Customers – Revenues from one customer of the Australian segment (being a licensed wholesaler) represent approximately NZ\$10.8million (2014: NZ\$8million; 2013: NZ\$6.2million) and from one customer of the New Zealand segment (also being a licensed wholesaler) represent approximately \$12million (2014: \$11million; 2013 \$11million) of the Group's total revenues.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

22. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities at 31 March 2015 (2014: nil; 2013: nil).

23. COMMITMENTS

(a) Capital Commitments

The Group has no capital commitments at 31 March 2015 (2014: nil; 2013: nil).

(b) Lease Commitments

	2015 \$'000	2014 \$'000	2013 \$'000
Due within one year	749	546	601
Due later than one year but within five years	783	684	560
Due later than 5 years	-	-	-
	1,532	1,230	1,161

The above includes leases for property, vehicles and equipment.

The Group leased the business premises for \$387,000 plus GST (including operating expenses) per annum. It has an initial term of 6 years which will expire on 11 April 2017. It has one right of renewal for another 4 years with final expiry on 12 April 2021. The Group also leases a number of motor vehicles and office equipment which all have a final expiry date not exceeding 3 years 6 months.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

24. MANAGEMENT OF CAPITAL

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to its shareholders, and
- to maintain a strong capital base to support the development of its business.

The Group meets these objectives through a mix of equity capital and borrowings. The level and mix of capital is determined by the Group's internal Corporate Governance Policies.

The Group refinanced in May 2014 with the introduction of \$12.9million new share capital (as detailed in note 17) and the introduction of long term debt (as detailed in note 16).

The long term debt in the form of the CRG Loan was used to replace the trade facility from the BNZ in May 2014.

Under the CRG Loan Agreement there are two covenants. The first requires a minimum bank balance of NZ\$4million at each month end. The second was initially for Revenues to exceed NZ\$60million for the 2015 financial year. The 2015 financial year revenue covenant was waived on 18 February 2015. Subsequent to year end the covenants have been renegotiated. For the 2016 financial year the covenant requires Revenues to exceed NZ\$64.5million.

Under the BNZ facility there was a covenant requirement that the facility comprising an overdraft and letter of credit facility must not exceed the total of 70% of acceptable debtors plus 40% of acceptable stock. The Group had complied with these covenants during the 2015 financial year.

Under the BNZ facility prior to May 2014 there were no un-authorised breaches during the 2015 or 2014 financial years. The interest covenant was breached for the reporting period ending 30 September 2013 and this breach was waived by the BNZ.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

25. EARNINGS PER SHARE

	2015 \$'000	2014 \$'000	2013 \$'000
Profit (Loss) after tax	(12,873)	(1,113)	172
Weighted average ordinary shares	1,179,600	1,179,600	1,179,600
Earnings per share (\$)	(10.91)	(0.94)	0.15

Basic earnings per share is computed by dividing net earnings by the number of ordinary shares outstanding during each period. Preferred shares are considered to be anti-dilutive for the earnings per share calculation.

There are no share options, securities or other contracts to issue shares that would dilute earnings per share.

26. DIVIDENDS PER SHARE

No dividends have been declared to the ordinary shareholders of the parent company during the current year, nor in the FY 2014 and FY 2013 years.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2015

27. PRIOR PERIOD ADJUSTMENT

During the 2014 and 2013 financial years, AFT Pharmaceuticals Limited disclosed interest received of \$280,000 in the cashflow statement. This was incorrectly disclosed and should have been included net of interest paid. This has been corrected in both the 2013 and 2014 comparative statement of cash flows. There is no impact on the net cash (used in)/generated from operating activities disclosed.

In relation to the above adjustment no impact was noted in relationship to the opening balances of the 31 March 2014 or 2013 financial year.

28. SUBSEQUENT EVENTS

During May, June and July 2015 the Group issued 54,120 new Series B Preferred Shares at US\$129 each to existing shareholders, Directors and a group of specialist pharmaceutical investors. These were fully subscribed and increased equity by NZD\$9.4million.

The Series B Preferred Shares convert 1:1 (subject to any adjustment in accordance with the constitution) to ordinary shares at the option of the holder, or automatically upon the earlier of (i) immediately before the closing of a public offering of shares in the company which results in a market capitalisation of the company at least US\$150million or (ii) the date specified by vote or written consent of the holders of a majority of the then outstanding Series B Preferred Shares. The Series B Preferred Shares do not carry voting rights other than on class matters particular to the Series B Preferred Shares.



Independent Auditors' Report

to the shareholders of AFT Pharmaceuticals Limited

Report on the Financial Statements

We have audited the Group financial statements of AFT Pharmaceuticals Limited ("the Company") on pages 6 to 37, which comprise the balance sheet as at 31 March 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We are independent of the Group. Other than in our capacity as auditors we have no relationship with, or interests in, the Group.



Independent Auditors' Report

AFT Pharmaceuticals Limited

Opinion

In our opinion, the financial statements on pages 6 to 37 present fairly, in all material respects, the financial position of the Group as at 31 March 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
8 October 2015

Auckland