2025 INTERIM REPORT

Results for the half year to
30 September 2024

AFT pharmaceuticals
Working to improve your health

Contents

This report provides a summary review of AFT's operational and financial performance for the six months to 30 September 2024 and should be read in conjunction with the company's financial statements on pages 16 to 34 of this report.

The information provided in this report has been compiled in accordance with relevant law, rules and corporate governance recommendations for investor reporting. Financial information has been prepared in accordance with appropriate accounting standards and has been reviewed by Deloitte Limited. Throughout this report we have focused on what we believe matters most to our stakeholders and our business. We have endeavoured to ensure all information is accurate through internal verification and other approval processes.

AFT is a growing multinational pharmaceutical company that develops, markets and distributes a broad portfolio of pharmaceutical products across a wide range of therapeutic categories around the world. We are focussed on, and are delivering, long-term sustainable growth.

Working to improve your health

Record Sales; Investing for Growth

$86.7m

Total operating revenue increases 4% with gains in Australasia diluted by sales disruptions in international markets.

$1.8m

Operating loss down from an operating profit of $3.3 million following sales disruptions and investments for growth.

$18.9m

Net debt down 37% to $18.9 million* from $30.6 million at the end of September 2023.

OUR STRATEGIC ACHIEVEMENTS

Maxigesic IV and Maxigesic Rapid go **on sale** in the US and we are **preparing for the launch** of other OTC products in that market.

Maxigesic IV **licensed** in China to **Xizang Weixinkang Pharmaceutical Co,** a Shanghai stock exchange hospital injectables focused company.

Crystaderm gains **approval for sale** in China, licensed to Hainan Haiyao Co with the launch planned for this year together with a further four products agreed this week.

Investment in business hubs North America, the United Kingdom, Europe, Singapore, Hong Kong, and South Africa, to capture the **significant potential** we see for our broader portfolio of medicines.

Extended our **development portfolio** to eight projects with the addition of a late-stage commercialization project for a **novel injectable** medicine containing a patented New Chemical Entity.

Acquired licenses for a portfolio of niche intravenous medicine in Europe and advanced commercialization.

* excluding related party loan

AUSTRALIA

Revenue: $50.8 million

up 19%

Operating profit $4.0 million from $0.5 million

Key drivers:
Strong growth across all channels.

NEW ZEALAND

Revenue: $26.0 million

up 14%

Operating profit $3.7 million up from $2.6 million

Key drivers:
Strong growth across all channels.

ASIA

Revenue: $4.4 million

down 18%

Operating profit $0.5 million down from $1.6 million.

Key drivers:
Disruptions to demand in Korea,

INTERNATIONAL

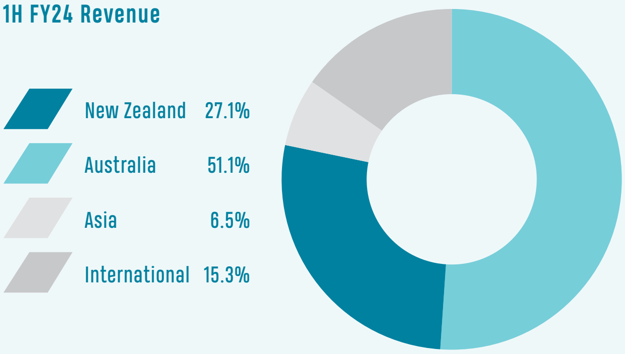
Revenue: $5.6 million

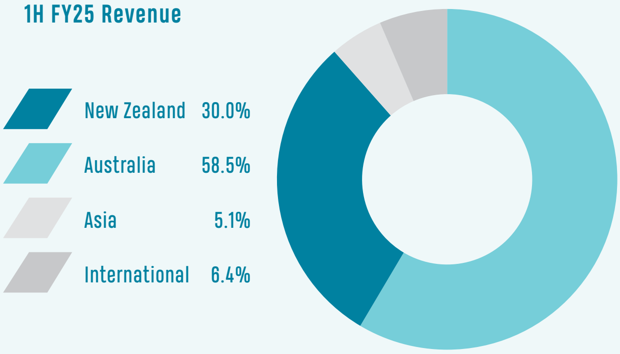
down 57%

Operating profit $4.6 million down from a profit of $3.1 million

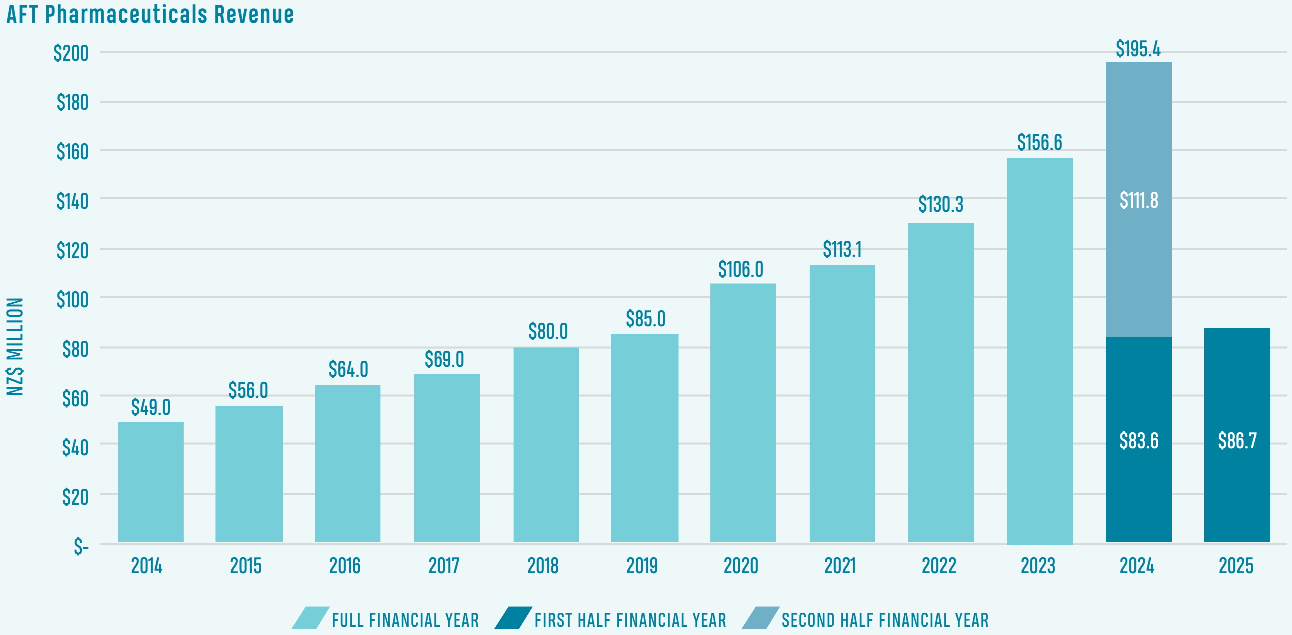
Key drivers:
Destocking in response to an easing of supply chain pressures and lower licensing income.

A strong performance from our core operations





Extending Our Record of Growth



Extending Our Reach, Diversifying Our Earnings

AFT Pharmaceuticals has again delivered another record sales result for a half year period. However, the result has underscored the value of our strategy to diversify our business across geographies and therapeutic categories.

We have benefited from double digit revenue growth in Australasia. But in international and Asian markets, sales were lower due to specific significant one-off factors. These factors included a temporary one-off reduction in demand as several of our largest customers reduced stock in response to the improving supply chain outlook. In Asia, a doctors strike in South Korea, which has now been resolved, significantly impacted Maxigesic IV sales.

These disruptions have impacted earnings and overshadowed what is a resilient underlying performance.

In the markets affected by the destocking we have seen the in-market sell through continuing at a similar rate seen in prior periods. We have made significant strategic progress in the new business hubs in North America, the United Kingdom, Europe, Singapore, Hong Kong, and South Africa, where we are investing to capture the significant potential we see for our broader portfolio of medicines.

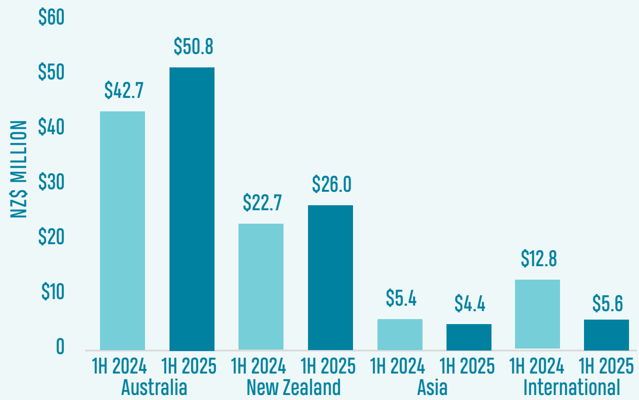
During the half year we concluded licensing negotiations for Maxigesic IV for Brazil and China so that we now cover nine of the top ten global pharma markets. We are seeing increased interest in the company's products with 19 separate licensing negotiations currently in progress.

In North America we have launched Maxigesic IV[1] and are readying for the launch of the rapid dissolving form of the medication around year end, alongside several of our OTC medicines. The planned launch of Crystaderm in China by our distributor Hainan Haiyao Co. later this year will also represent an important milestone for the company.

We continue to see strong interest from China for a number of our products.

We also remain confident of a recovery of momentum in the second half of the year and going forward in line with prior years.

Revenue by Region



Financial Results

Revenue from the sale of products and product royalties grew by 6.0% to $86.5 million from $81.7 million.

Growth in the Australasian business – led by the OTC portfolio of medicines – made the largest contribution to the increase. Revenue in Australasia was up a pleasing 17% to $76.8million.

These gains were diluted by the disruption to sales in the International and Asian businesses. The net impact of these one-off events was a combined reduction in income from product sales and royalties in these two markets from $16.3 million to $9.8 million.

Total revenue, which includes licensing income of $0.2 million, rose 3.7% to $86.7 million from $83.6 million.

Gross Margin on product sales and royalties remained steady at 41.6%. The overall gross margin reduced to 41.7% from 43.0% due to the lower license income.

Operating expenses increased with start-up funding for the new business hubs in North America, the United Kingdom, and South Africa; marketing for new products and markets; and an increase in research and development expenditure.

The resulting operating loss was $1.8 million, down from an operating profit of $3.3 million in the same period of the prior financial year. For the same reasons EBITDA[2] fell from $4.1 million to a loss of $0.7 million, while net profit after tax fell from $1.8 million to a loss of $2.5 million.

[1] In the US and several other markets Maxigesic is sold as Combogesic, however for simplicity we refer to the medicine in this release with the name familiar to Australasian audiences.

[2] EBITDA is non-GAAP measure of earnings before interest tax depreciation and amortisation. It is defined and reconciled to GAAP measure of net profit after tax on page 12 of the company's Interim Report and in the investor presentation released to the NZX and ASX today.

Dr Hartley Atkinson | *Co-Founder and Managing Director* ***David Flacks*** | *Chairman*

Research And Development

Research and development expenditure (expensed and capitalised) in the half year period rose to $8.9 million from $7.0 million in the same period a year ago, all of which has been funded through earnings.

The development portfolio continues to offer the company significant opportunities in international markets either through out licensing or through distribution in markets where we have established a presence. Collectively the medicines in the portfolio open significant addressable markets to the company. Reinforcing this potential is the existing strong interest in both the companies recently developed products and those closer to commercialization.

Just after the balance date we rounded out the research and development programme with the addition of a significant late-stage commercialization project for a novel injectable medicine containing a patented New Chemical Entity (NCE). Following the addition of this project the programme now extends to a range of products across the dermatology, eyecare, pain and drug delivery categories.

The therapeutic application of the NCE presently remains confidential, but it is targeted at a global market that is forecast to grow from around US$3 billion in 2024 to more than US$7 billion in 2033. The medicine will be delivered as a single dose for the majority of patients, offering potential advantages over existing treatments, which generally require two injections.

The conditional agreement envisages AFT undertaking a final confirmatory Phase III clinical trial of the medicine involving approximately 1,000 patients to confirm the efficacy of the medicine and its safety. The company has already received significant interest from potential licensing partners including China, the world's second largest pharma market.

The timeframe for the commercialisation of these projects varies between the long term such as our topical Keloid Scars project to the more immediate such as NasoSURF, Pascomer and the new novel injectable project.

Balance Sheet

AFT remains well funded. Net debt at the end of September 2024 was $18.9 million[3], up slightly from the $16.2 million as at the end of March, but down from $30.6 million at the same time a year ago.

Reflecting the improving supply chain situation, consistent with some of our international customers, we have further reduced inventory now at $47.9 million down from $49.1 million at the end of March 2024 and $54.6 million at the end of September 2023.

Governance

Just after balance date we announced the appointment of Allison Yorston as an independent non-executive director. The appointment fills the vacancy left by Anita Baldauf who retired from the Board at the shareholders meeting in August. We are delighted to welcome Allison, currently the Chief Marketing Officer for Suntory Beverage and Food Oceania, to our Board. Alison has outstanding experience as a senior marketing executive in Australia and New Zealand and brings valuable expertise as we grow and consolidate our position in Australasia and build our presence internationally. We also thank Anita for her contributions to the company.

Outlook

In line with prior years, AFT expects a strong recovery in the second half of the year, with the results assisted by a strong program of new product launches especially in international markets, building momentum in the new markets, and the normalisation of demand following the two unexpected, but significant events seen during the first half of this financial year.

However, given the trading challenges of the last six months, the company expects its operating profit for the year to the end March 2025 to range between $15 million to $20 million[4]. We also expect to declare a dividend for the full year.

While this outlook is lower than our earlier expectations, we believe we are positioned to further extend the company's long-standing record of growth. Indeed, we are now setting our sights on a rolling annual revenue target of $300 million, which we aim to achieve by the end of the 2027 financial year.

We look forward to updating you with on our progress.

David Flacks
Chair

Dr Hartley Atkinson
Managing Director

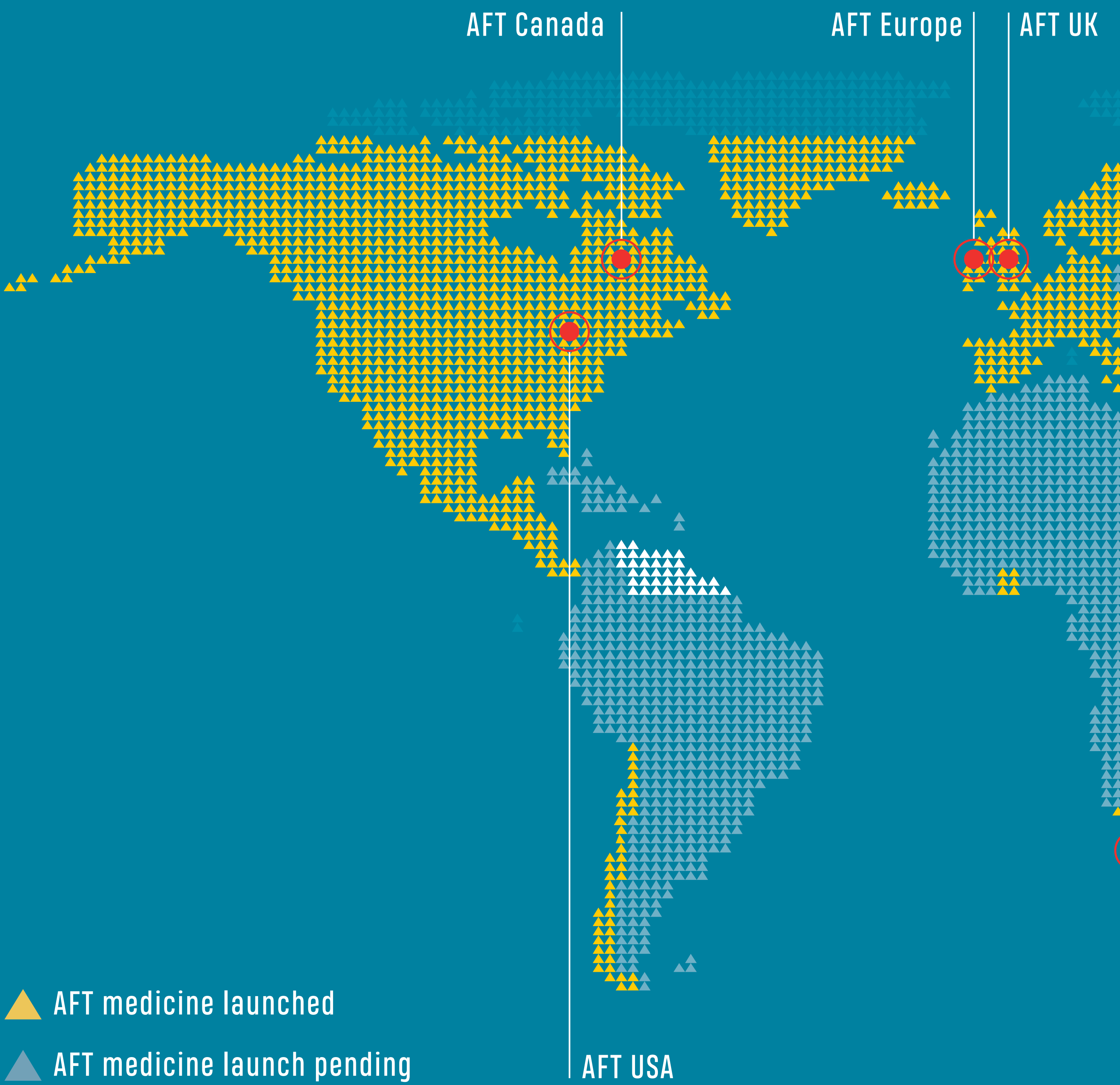
[3] Exclusive of related party loan.

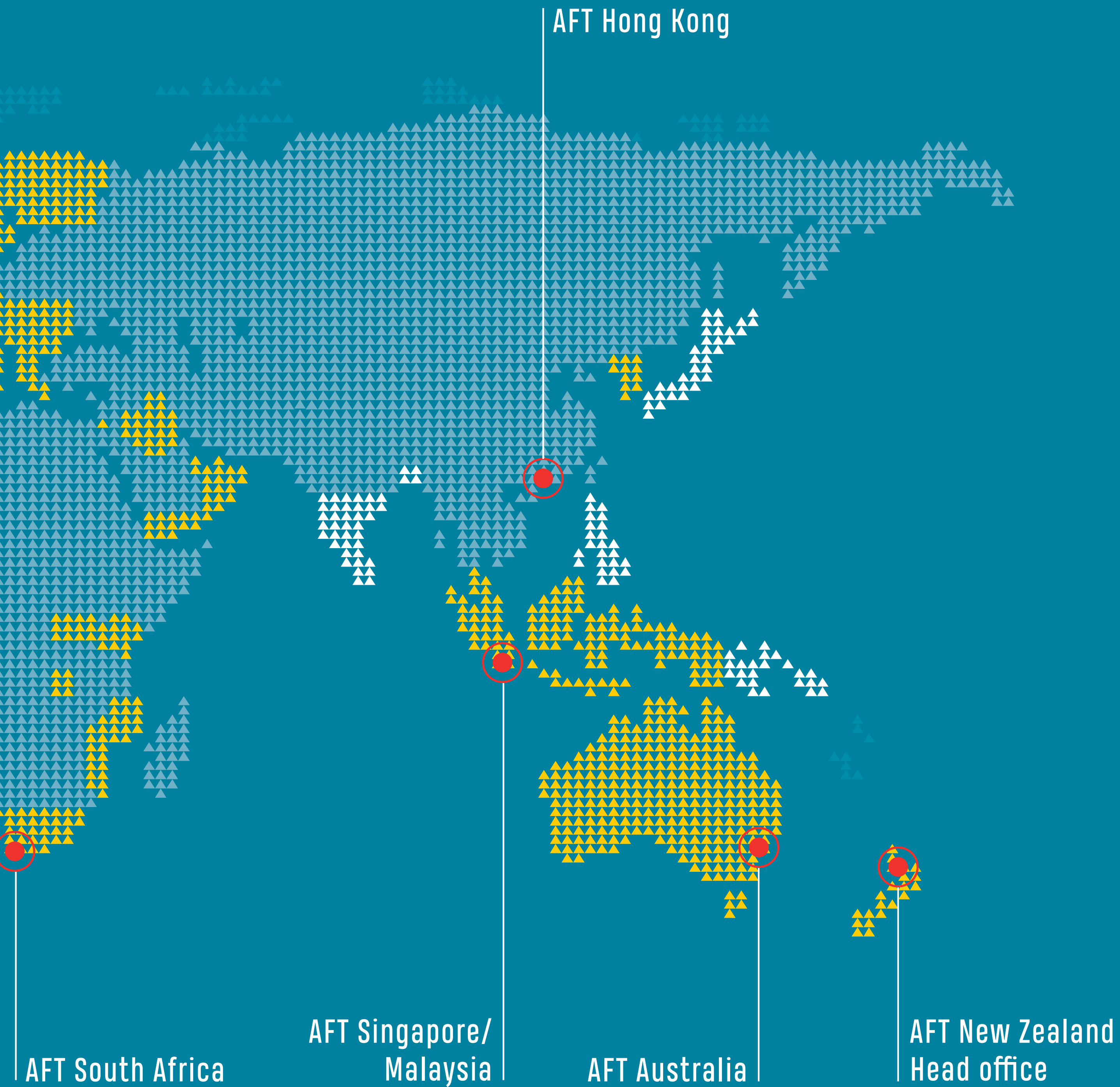
[4] This range is lower than guidance given at the company's annual meeting in August 2024 for an operating profit of $22 million to $25 million.

"We are positioned to further extend the company's long-standing record of growth."

AFT's Global Reach

Our medicines are now available in nearly 80 countries




AFT Hong Kong
AFT South Africa
AFT Singapore/
Malaysia
AFT Australia
AFT New Zealand
Head office

Australia

GROWTH ACROSS ALL CHANNELS

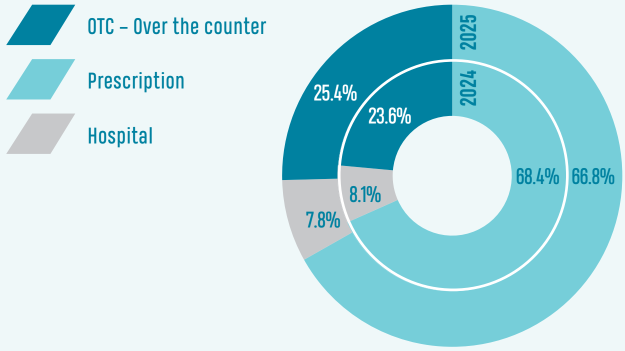
Revenue in Australia grew 19% to $50.8 million from $42.7 million in the same period a year ago. Revenue was lifted by strong growth in all channels.

OTC market growth was led by eyecare, pain relief and the iron supplements. Hospital growth was led by the company's broad portfolio of injectables. The prescription channel growth was broad-based across the product range.

Our new product launch program continues to roll out as planned. Growth is primarily driven by existing products but new launches will then contribute as they become established in the market.

Australian operating profit rose to $4.0 million from $0.5 million in the same period of the prior year. Selling and distribution expenses reduced as a percentage of revenue, as the benefits of the prior year's additional investment into the sales team were bedded down.

Australia Channels



Revenue:
$50.8 million
up 19%

Operating Profit:
$4.0 million
from $0.5 million

Asia

READYING FOR THE LAUNCH INTO CHINA

Asia revenue was down to $4.4 million from $5.4 million in the same period of the prior year.

We have seen good growth in the OTC business and particularly via the online cross border e-commerce channel (CBEC) into China. These gains were diluted by the doctors strike in South Korea.

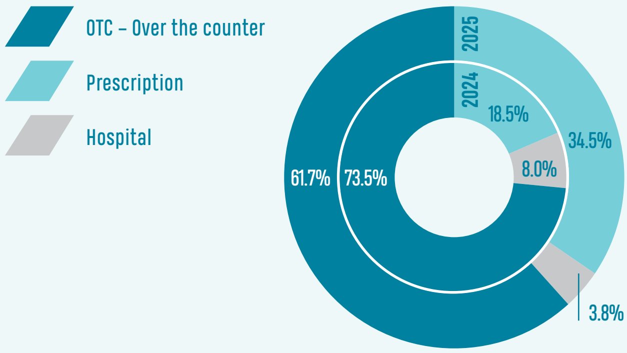
Operating profit was down to $0.5 million from $1.6 million in the prior year reflecting the lower revenue driven by the Korean doctors strike and increased spending on marketing and business development initiatives.

We secured approval for the sale of our Crystaderm antiseptic cream in China last year, signed a distribution agreement with Hainan Haiyao Co in July and are targeting a launch this year. Additionally, we have just completed a further four distribution agreements with Hainan Haiyao for Vitamin C LipoSachets, Vitamin D LipoSachets, Ferro LipoSachets and Kiwisoothe tablets which we expect to generate sales from the next financial year.

We signed Xizang Weixinkang Pharmaceutical Co Ltd (WXK), an established hospital injectables focused company in China and listed on the Shanghai Stock Exchange main board, to distribute Maxigesic IV in this market.

We continue to see strong interest from China in our products and expect to conclude further agreements.

Asia Channels



Revenue:
$4.4 million
down 18%

Operating Profit:
$0.5 million
down from $1.6 million

New Zealand

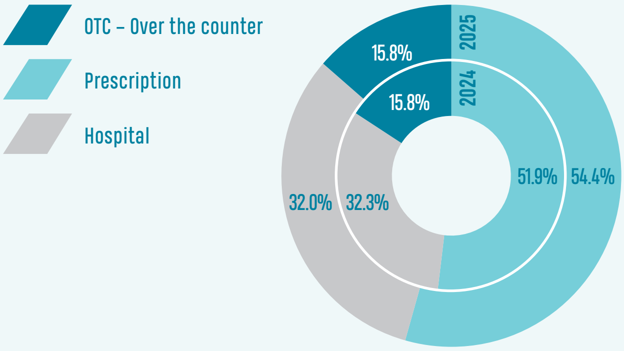
HOSPITAL AND PRESCRIPTION LEAD DEMAND

Revenue in New Zealand grew 14% to $26.0 million from $22.7 million in the same period of the prior year. Revenue was led by the OTC and prescription channels.

Growth in the OTC business was driven by eyecare and dermatology. The hospital and prescription channel were steady across all categories. Similarly in New Zealand our new product launches proceeded as planned.

New Zealand operating profit improved to $3.7 million from $2.6 million in the same period of the prior year, driven by the revenue growth. Selling and distribution expenses reduced a little as a percentage of revenue.

New Zealand Channels



Revenue:
$26.0 million
up 19%

Operating Profit:
$3.7 million
up from $2.6 million

International

INVESTING IN NEW BUSINESS HUBS

Revenue:
$5.6 million
down 57%

Operating Profit:
$4.6 million
$4.6 million down from a profit of $3.1 million

Revenue from product sales and royalties in the international business fell 50% to $5.4 million from $10.9 million in the same period of the prior year. This result was driven by large customers reducing inventory in response to an improving supply chain outlook. Licensing income of $0.2m was down on the $2.0 million of the prior year.

Including licensing income, we recorded an operating loss of $4.6 million compared to a profit in the prior year of $3.1 million. In addition to lower sales this followed from lower license payments as well as the increased costs associated with the establishment and operation (selling and distribution costs) of our new business hubs in the UK, North America and South Africa together with an increase in expensed research and development investment.

Maxigesic IV[5] is launched in North America and we are readying for the launch of the rapid dissolving form of the medication around year end alongside several of our OTC medicines.

In the UK we are making steady progress with Maxigesic tablets through pharmacies and Amazon. During the period we were approved as a supplier to the UK's National Health Service (NHS) and our first round of contract bids for hospital injectable medicines were 100% successful with first sales due to commence in February 2025. We see this as an encouraging sign given the significant size of the UK hospital injectable market. Sales of Maxigesic IV, like the US, will require inclusion of the medicine in hospital formularies, but we are confident of closing in on these in the coming months.

In Europe we continue to make significant progress in commercializing the products that we acquired last year with a significant number of licensing agreements signed for Austria, France, Germany, Ireland, Italy and the Nordics. Sales of these new products will commence next financial year.

Our South African operation is still in the early stages of development. We have acquired a company with an existing South African Health Products Regulatory Authority license. This acquisition has fast track the establishment of the AFT subsidiary by two years and we plan for sales to the private hospital market to start during the next financial year.

[5] In the US and several other markets Maxigesic is sold as Combogesic, however for simplicity we refer to the medicine in this release with the name familiar to Australasian audiences.

Reconciliation of EBITDA to GAAP

AFT's standard profit measure prepared under New Zealand GAAP is net profit after tax. AFT has used the non-GAAP profit measure of EBITDA when discussing financial performance in this document. AFT directors and management believe that this measure provides useful information as it is used internally to evaluate performance of business units, to establish operational goals and to allocate resources. Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by AFT in accordance with NZ IFRS.

GAAP to Non-GAAP reconciliation

NZ$'000's Six months ended 30 September	**2025 $000**	**2024 $000**
Net (Loss)/profit after tax attributable to owners of the parent	(2,456)	1,816
Less: Finance income	(22)	(30)
Add back: Interest costs	1,357	1,814
Add back: Other finance loss/(gain)	(299)	(502)
Add back: Depreciation	490	457
Add back: Amortisation	653	391
Add back: Income tax expense/(benefit)	(383)	152
EBITDA	**(660)**	**4,098**

AFT Pharmaceuticals Limited

CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended
30 September 2024

Independent Auditor's Report

To the Shareholders of AFT Pharmaceuticals Limited

Conclusion

We have reviewed the condensed consolidated interim financial statements ('interim financial statements') of AFT Pharmaceuticals Limited ('the Company') and its subsidiaries ('the Group') on pages 16 to 34 which comprise the consolidated balance sheet as at 30 September 2024, consolidated income statement and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended on that date, and notes to the interim financial statements, including material accounting policy information.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2024 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting and IAS 34 Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with NZ SRE 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410 (Revised)'). Our responsibilities are further described in the Auditor's Responsibilities for the *Review of the Interim Financial Statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in AFT Pharmaceuticals Limited or its subsidiaries as auditor of the Company and Group.

Directors' responsibilities for the interim financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

A review of the interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently do not enable us to obtain assurance that we might identify in an audit. Accordingly we do not express an audit opinion on the interim financial statements.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review 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's shareholders as a body, for our engagement, for this report, or for the conclusions we have formed.

Deloitte Limited

Bryce Henderson, Partner

for Deloitte Limited Auckland,

New Zealand

21 November 2024

Consolidated Income Statement

For the Six Months Ended 30 September 2024

	Note	Unaudited 6 Months Ended 30 Sep 2024 $'000	Unaudited 6 Months Ended 30 Sep 2023 $'000
Revenue	4	86,713	83,614
Cost of sales		(50,514)	(47,678)
Gross profit		**36,199**	**35,936**
Other Income		-	85
Selling and distribution expenses		(26,695)	(23,797)
General and administrative expenses		(6,008)	(5,468)
Research and development expenses		(5,299)	(3,506)
Operating (loss)/profit		**(1,803)**	**3,250**
Finance income		22	30
Interest costs		(1,357)	(1,814)
Other finance gain / (loss)		299	502
(Loss)/Profit before tax		**(2,839)**	**1,968**
Income tax benefit/(expense)		383	(152)
(Loss)/Profit after tax		**(2,456)**	**1,816**
(Loss)/Profit is attributable to:			
Equity holder of the parent		(2,186)	1,816
Non-controlling interests		(270)	-
(Loss)/Profit after tax		**(2,456)**	**1,816**
Earnings per share			
Basic and diluted earnings per share ($)		($0.02)	$0.02

The accompanying Notes form an integral part of the condensed consolidated interim Financial Statements.

Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 September 2024

	Note	Unaudited 6 Months Ended 30 Sep 2024 $'000	Unaudited 6 Months Ended 30 Sep 2023 $'000
(Loss)/profit after tax		**(2,456)**	**1,816**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss			
Foreign exchange difference on translation of foreign operations		(188)	(59)
Other comprehensive loss for the year, net of tax		**(188)**	**(59)**
Total comprehensive (loss)/income		**(2,644)**	**1,757**
Total comprehensive (loss)/income is attributable to			
Equity holder of the parent		(2,374)	1,757
Non-controlling interests		(270)	-
		(2,644)	**1,757**

The accompanying Notes form an integral part of the condensed consolidated interim Financial Statements.

Consolidated Statement of Changes in Equity

For the Six Months Ended 30 September 2024

	Note	Share capital	Share options reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance 31 March 2023		**78,240**	**-**	**226**	**(5,198)**	**73,268**	**-**	**73,268**
Unaudited								
Six months to 30 September 2023								
Profit after tax		-	-	-	1,816	1,816		1,816
Other comprehensive income		-	-	(59)	-	(59)		(59)
Total comprehensive income		**-**	**-**	**(59)**	**1,816**	**1,757**	**-**	**1,757**
Movement in share options reserve		-	35	-	-	35		35
Dividends paid		-	-	-	(1,154)	(1,154)		(1,154)
Balance 30 September 2023		**78,240**	**35**	**167**	**(4,536)**	**73,906**	**-**	**73,906**
Audited								
Year ended 31 March 2024								
Profit after tax		-	-	-	15,609	15,609		15,609
Other comprehensive income		-	-	(67)	-	(67)		(67)
Total comprehensive income		-	-	**(67)**	**15,609**	**15,542**	**-**	**15,542**
Movement in share options reserve		-	139	-	-	139		139
Dividends paid		-	-	-	(1,154)	(1,154)		-
Balance 31 March 2024		**78,240**	**139**	**159**	**9,257**	**87,795**	**-**	**87,795**
Unaudited								
Six months to 30 September 2024								
Loss after tax		-	-	-	(2,186)	(2,186)	(270)	(2,456)
Other comprehensive income		-	-	(188)	-	(188)	-	(188)
Total comprehensive income		-	-	**(188)**	**(2,186)**	**(2,374)**	**(270)**	**(2,644)**
Movement in share options reserve		-	56	-	-	56	-	56
Dividends paid		-	-	-	(1,678)	(1,678)	-	(1,678)
Balance 30 September 2024		**78,240**	**195**	**(29)**	**5,393**	**83,799**	**(270)**	**83,529**

The accompanying Notes form an integral part of the condensed consolidated interim Financial Statements.

Consolidated Balance Sheet

As at 30 September 2024

	Note	Unaudited 30 Sep 2024 $'000	Audited 30 Mar 2024 $'000	Unaudited 30 Sep 2023 $'000
ASSETS				
Current assets				
Inventories		47,874	49,057	54,648
Trade and other receivables		28,000	44,222	33,411
Cash and cash equivalents		10,686	12,040	6,172
Derivative assets	12	216	408	893
Total current assets		**86,776**	**105,727**	**95,124**
Non-current assets				
Property, plant and equipment		440	363	433
Intangible assets		56,500	53,459	49,717
Right of use assets		3,059	3,458	3,665
Deferred tax		1,118	2,250	9,933
Total non-current assets		**61,117**	**59,530**	**63,748**
Total assets		**147,893**	**165,257**	**158,872**
LIABILITIES				
Current liabilities				
Trade and other payables		25,280	34,140	32,151
Provisions		4,192	7,331	6,540
Lease liabilities	7	752	796	748
Related party loan	7	439	-	-
Current Income tax liability		1,058	3,801	5,321
Derivative liabilities	12	195	-	-
Interest bearing liabilities	7	-	-	3,585
Total current liabilities		**31,916**	**46,068**	**48,345**
Non-current liabilities				
Lease liabilities	7	2,848	3,194	3,421
Interest bearing liabilities	7	29,600	28,200	33,200
Total non-current liabilities		**32,448**	**31,394**	**36,621**
Total liabilities		**64,364**	**77,462**	**84,966**
EQUITY				
Share capital	8	78,240	78,240	78,240
Retained earnings/(losses)		5,393	9,257	(4,536)
Share options reserve	8	195	139	35
Foreign currency translation reserve		(29)	159	167
Equity attributable to equity holder of the parent		**83,799**	**87,795**	**73,906**
Non-Controlling Interests		(270)	-	-
Total equity		**83,529**	**87,795**	**73,906**
Total liabilities and equity		**147,893**	**165,257**	**158,872**

The accompanying Notes form an integral part of the condensed consolidated interim Financial Statements.

On behalf of the Board on 21 November 2024

David Flacks
Chair

Dr Hartley Atkinson
Founder and Chief Executive Officer

Consolidated Statement of Cash Flows

For the Six Months Ended 30 September 2024

	Unaudited 6 Months Ended 30 Sep 2024 $'000	Unaudited 6 Months Ended 30 Sep 2023 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	103,666	102,317
Payments to suppliers and employees	(98,084)	(93,722)
Tax paid	(1,229)	(1,127)
Net cash generated from operating activities	**4,353**	**7,468**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(150)	(76)
Purchase of intangible assets	(3,789)	(4,769)
Net cash used in investing activities	**(3,939)**	**(4,845)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	-
Dividends paid	(1,678)	(1,154)
Payment for lease liabilities	(408)	(331)
Borrowings drawn	1,400	-
Related party loan	439	-
Interest received	22	30
Interest paid on lease liabilities	(146)	(145)
Interest costs paid on borrowings	(1,211)	(1,669)
Net cash used in financing activities	**(1,582)**	**(3,269)**
Net decrease in cash	(1,168)	(646)
Impact of foreign exchange on cash and cash equivalents	(186)	(58)
Opening cash and cash equivalents	12,040	3,291
Closing cash and cash equivalents	**10,686**	**2,587**
Made up of:		
Cash and cash equivalents	10,686	6,172
BNZ overdraft	-	(3,585)
	10,686	**2,587**

The accompanying Notes form an integral part of the condensed consolidated interim Financial Statements.

Reconciliation of Profit After Tax with Net Cash Flow From Operating Activities

	30 Sep 2024 $'000	30 Sep 2023 $'000
Loss after tax	**(2,456)**	**1,816**
Non-cash items and items classified as financing activities		
Depreciation	73	93
Depreciation ROU assets	417	364
Amortisation	653	391
Intangible disposals	96	292
Interest on lease liabilities	146	145
Share option expense	56	-
Interest and finance expense	1,211	1,669
Unrealised (gain)/loss on foreign currency movements	385	(239)
Provision for tax expense	(1,612)	(975)
Interest received	(22)	(30)
Movement in working capital		
Decrease/(Increase) in inventories	1,183	(12,251)
Decrease/(increase) in trade and other receivables	16,222	13,307
(Decrease)/increase in trade and other payables, provisions	(11,999)	2,886
Net cash generated from operating activities	**4,353**	**7,468**

The accompanying Notes form an integral part of the condensed consolidated interim Financial Statements.

Notes to the Financial Statements

For the six months ended 30 September 2024

1. Reporting Entity

AFT Pharmaceuticals Ltd (the "Company" or "Parent") together with its subsidiaries (the "Group") is a pharmaceutical distributor and developer of pharmaceutical intellectual property. The Company is incorporated and domiciled in New Zealand; it is registered under the Companies Act 1993. The address of the Company's registered office is 129 Hurstmere Road, Takapuna, New Zealand.

The Company is a FMC reporting entity under the Financial Markets Conduct Act 2013 and is listed on both the NZX and ASX.

These condensed consolidated interim financial statements were approved by the Directors on 21 November 2024 and are not audited but have been reviewed by Deloitte Limited in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity

2. Basis of Preparation and Principles of Consolidation

Statement of compliance

These general-purpose financial statements for the six months to 30 September 2024 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IAS 34 and IAS 34, Interim Financial Reporting. The Group is a for-profit entity for the purposes of complying with NZ GAAP.

The condensed consolidated interim financial statements do not include all the notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements for the year ended 31 March 2024, which have been prepared in accordance with the New Zealand equivalents to IFRS Accounting Standards ('NZ IFRS') and IFRS Accounting Standards ('IFRS').

The same accounting policies and methods of computation are followed in the condensed consolidated interim financial statements as compared to the audited financial statements for the year ended 31 March 2024, as described in those annual financial statements

Basis of accounting

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and/or other comprehensive income.

Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars (NZD), which is the Company's functional currency rounded to the nearest thousand dollars unless otherwise stated. Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions and balances

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:

- Monetary 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 income statement and 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, and
- Exchange differences arising are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.
- Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Financial Statements (Continued) For The Six Months Ended 30 September 2024

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at the balance date and the results of all subsidiaries for the six-month period then ended.

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

Critical accounting estimates and judgements

In applying the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates are disclosed in each of the applicable notes to the financial statements and are designated with an E symbol.

Accounting policies

Accounting policies are disclosed in each of the applicable notes to the financial statements and are designated with an AP symbol. All mandatory amendments have been adopted in the current year. None had a material impact on these financial statements. The accounting policies applied by the Group in the preparation of the condensed consolidated interim financial statements are the same as those applied by the Group in the preparation of its consolidated financial report for the year ended 31 March 2024. The accounting policies have been applied consistently throughout the Group for the purposes of this interim report.

Standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements, the Group has not applied new and revised NZ IFRS standards and amendments that have been issued but are not yet effective. It is not expected that the adoption of these standards and amendments will have a material impact on the financial statements of the Group.

In April 2024, the International Accounting Standards Board introduced IFRS 18 Presentation and Disclosure in Financial Statements (effective for reporting periods beginning on or after 1 January 2027). This standard replaces IAS 1 Presentation of Financial Statements. An equivalent, NZ IFRS 18 was issued on 23 May 2024. NZ IFRS 18 also applies to reporting periods (including interim periods) beginning on or after 1 January 2027 and will replace NZ IAS 1. Management are still assessing the impact and note this may change the presentation of primary statements.

Goods and Services Tax (GST)

The income statement and the statement of comprehensive income have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of accounts receivable and payable, which include GST invoiced. All components of the statement of cash flows are stated exclusive of GST.

3. Significant Transactions and Events in the Financial Year

The Group has received confirmation from the Inland Revenue Department that its application for amending each of the 2018 to 2022 income tax returns for capitalised product development expenditure to be treated as deductible has been approved. The Group has therefore calculated the current tax and deferred tax expense on that basis in the current year which includes the deduction for 2018 to 2022 tax years approximating $4.5 million.

Inland Revenue Department declined to amend the 2018 to 2022 income tax returns for capitalised product registration expenditure but did not make any determination or advise on the deductibility, nor did it advise or make any determination in respect of deductions claimed for the 2023 income year or in respect of claims in future years. Given this uncertain tax position, no deductions have been accounted for. Based on previous advice received the Group remains confident a case for deductibility exists and it will be taking further advice on how to progress this matter to a resolution.

4. Revenue from Operations

	Unaudited 6 Months Ended 30 Sep 2024 $'000	Unaudited 6 Months Ended 30 Sep 2023 $'000
Sale of goods	85,595	81,030
Royalty income	950	625
Licensing Income	168	1,959
Total revenue from operations	**86,713**	**83,614**

AP

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties:

- The sale of goods, which are recognised when control of the product is transferred to the customer at a point in time.
- Licensing income, the Group has entered into a number of out-licencing contracts whereby the Group's obligations are the provision of territorial rights to the company's intellectual property and the provision and support of the documentation required to enable registration of the product in the territory. The Group typically receives an upfront fee, milestone payments for specific registration and/or development-based outcomes, and sales-based milestones or royalties as consideration for the license. Licenses coupled with other services, must be assessed to determine if the license is distinct (that is, the customer must be able to benefit from the IP on its own or together with other resources that are readily available to the customer, and the Group's promise to transfer the IP must be separately identifiable from other promises in the contract). If the license is not distinct, then the license is combined with other goods or services into a single performance obligation. Revenue is then recognised as the Group satisfies the combined performance obligation.

  A license will either provide:

  - A right to access the entity's intellectual property throughout the license period, which results in revenue that is recognised over time;

    or
  - A right to use the entity's intellectual property as it exists at the point in time in which the license is granted, which results in revenue that is recognised at a point in time. For sales- or usage-based royalties that are attributable to a license of IP, the amount is recognized at the later of:
    - when the subsequent sale or usage occurs; and
    - the satisfaction or partial satisfaction of the performance obligation to which some or all of the sales- or usage-based royalty has been allocated.
- Royalties Royalty revenue is recognised on an actual and accrual basis in accordance with the substance of the relevant agreement provided that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Royalty arrangements are recognised by reference to the underlying agreement.

Notes to the Financial Statements (Continued) For The Six Months Ended 30 September 2024

5. Joint Operations

Hyloris Pharmaceuticals SA and AFT have been collaborating in the development of the Maxigesic IV product. AFT has now licensed the product to a number of partners covering multiple countries. Maxigesic IV is protected by several granted and pending patent applications. Under the terms of the development collaboration agreement between Hyloris and AFT, Hyloris is eligible to receive a share on any product related revenues, such as license fees, royalties, milestone payments, received by AFT. The arrangement constitutes a joint operation whereby the Group recognises, in relation to its interest in the joint operation, its share of assets and liabilities in the consolidated statement of financial position and share of revenue earned and expenses incurred in the consolidated income statement. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in the joint operation in accordance with the NZ IFRS standards applicable to the particular assets, liabilities, revenues and expenses.

AP

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

6. Segment Reporting

	Operating Segments					
	Australia $'000	**New Zealand $'000**	**Asia $'000**	**Rest of World $'000**	**Head Office $'000**	**Total $'000**
30 September 2024						
Revenue - Sale of goods	50,762	25,965	4,040	4,828	-	85,595
Revenue - Royalties	-	-	395	555	-	950
Revenue - Licensing	-	-	-	168	-	168
Total revenue	**50,762**	**25,965**	**4,435**	**5,551**	**-**	**86,713**
Other income	-	-	-	-	-	-
Depreciation - ROU assets	260	26	-	-	131	417
Depreciation - Other	7	-	-	-	66	73
Amortisation	-	-	-	653	-	653
Operating (loss)/profit	**3,978**	**3,710**	**496**	**(4,637)**	**(5,350)**	**(1,803)**
Finance income	-	-	-	-	22	22
Interest expense - Loans	-	-	-	-	(1,211)	(1,211)
Interest expense - Lease liabilities	(54)	(3)	-	-	(89)	(146)
Other finance gains/(losses)	-	-	-	-	299	299
(Loss)/profit before tax	**3,924**	**3,707**	**496**	**(4,637)**	**(6,329)**	**(2,839)**
Total assets	**51,354**	**36,571**	**4**	**58,846**	**1,118**	**147,893**
ROU assets	1,051	62	-	-	1,946	3,059
Property plant and equipment	84	-	-	2	354	440
Pascomer IP	-	-	-	12,500	-	12,500
Other intangible assets	-	-	-	44,000	-	44,000
Total liabilities	**11,210**	**20,384**	**(1)**	**700**	**32,071**	**64,364**
Capital expenditure *	**67**	**-**	**-**	**3,862**	**84**	**4,013**

	**Restated Operating Segments					
	**Australia $'000	**New Zealand $'000	**Asia $'000	**Rest of World $'000	**Head Office $'000	Total $'000
30 September 2023						
Revenue - Sale of goods	42,704	22,677	5,093	10,556	-	81,030
Revenue - Royalties	-	-	323	302	-	625
Revenue - Licensing	-	-	-	1,959	-	1,959
Total revenue	**42,704**	**22,677**	**5,416**	**12,817**	**-**	**83,614**
Other income	-	-	-	85		85
Depreciation - ROU assets	205	29	-	-	131	364
Depreciation - Other	8	-	-	-	85	93
Amortisation	-	-	-	390	-	390
Operating (loss)/profit	**549**	**2,603**	**1,621**	**3,094**	**(4,616)**	**3,251**
Finance income	1	-	-	-	29	30
Interest expense - Loans	-	-	-	-	(1,669)	(1,669)
Interest expense - Lease liabilities	(46)	(5)	-	-	(94)	(145)
Other finance gains/(losses)	-	-	-	-	502	502
(Loss)/profit before tax	**504**	**2,598**	**1,621**	**3,094**	**(5,848)**	**1,969**
Total assets	**45,631**	**49,444**	**5**	**51,252**	**12,541**	**158,872**
ROU assets	1,340	117	-	-	2,208	3,665
Property plant and equipment	32	-	-	2	400	434
Pascomer IP	-	-	-	12,500	-	12,500
Other intangible assets	-	-	-	37,217	-	37,217
Total liabilities	**11,361**	**28,812**	**2**	**78**	**44,713**	**84,966**
Capital expenditure *	**1**	**-**	**-**	**4,785**	**74**	**4,860**

*** Capital expenditure includes both intangible and tangible asset additions.**

****Restatement of segment note**

The structure of the segment note has been updated to reflect enhanced internal business reporting and the comparative segment notes have been restated to reflect this change. Head office costs that were previously reported within the NZ operating segment are now separately disclosed under the Head Office column as these costs support all operating segments. Head office functions include maintaining all supplier relationships, procurement of inventory, regulatory activity, governance marketing activity and finance activity. No other segments have been changed. Total assets and Capital expenditure for Rest of World have been restated to reflect the fact that this segment manages intangible assets and incurred capital expenditure.

The below items were previously reported under the New Zealand Segment, the table below shows the restatement into the new operating segment.

Notes to the Financial Statements (Continued) For The Six Months Ended 30 September 2024

	Australia previously reported $'000	New Zealand previously reported $'000	Asia previously reported $'000	Rest of World previously reported $'000	Australia restated $'000	New Zealand restated $'000	Asia restated $'000	Rest of World restated $'000	Head Office restated $'000
Depreciation - ROU assets	205	159	-	-	205	29	-	-	131
Depreciation - Other	8	85	-	-	8	-	-	-	85
Amortisation	-	390	-	-	-	-	-	390	-
Operating profit	**549**	**(2,013)**	**1,621**	**3,094**	**549**	**2,603**	**1,621**	**3,094**	**(4,616)**
Finance income	1	29	-	-	1	-	-	-	29
Interest expense - Loans	-	(1,669)	-	-	-	-	-	-	(1,669)
Interest expense - Lease liabilities	(46)	(99)	-	-	(46)	(5)	-	-	(94)
Other finance gains/(losses)	-	502	-	-	-	-	-	-	502
Profit / (loss) before tax	504	(3,250)	1,621	3,094	504	2,598	1,621	3,094	(5,848)
Total assets	**45,855**	**62,850**	**5**	**50,162**	**45,631**	**49,444**	**5**	**51,252**	**12,541**
ROU assets	1,340	2,325	-	-	1,340	117	-	-	2,208
Property plant and equipment	32	400	-	2	32	-	-	2	400
Pascomer IP	-	-	-	12,500	-	-	-	12,500	-
Other intangible assets	-	-	-	37,217	-	-	-	37,217	-
Total liabilities	**3,161**	**78,158**	**2,511**	**1,136**	**11,361**	**28,812**	**2**	**78**	**44,713**
Capital expenditure	**1**	**4,847**	**-**	**12**	**1**	**-**	**-**	**4,785**	**74**

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, together with the Chief Executive Officer, the Chief of Staff, the Chief Financial Officer and the Director of International Business Development. Management report on operating segments net of intersegment revenue so that the revenue amount reflects the end customer's reportable geography. Inter-segment transactions are eliminated for Management reporting. This has been determined on the basis that it is this group that determines the allocation of the resources to segments and assesses their performance. The Group has four operating segments based on geographical locations 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 Group's reporting segments:

- **New Zealand** – Includes the sales and distribution activity relating 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.
- **Rest of World** – Includes the out-licensing of IP developments to markets in which the Group does not have a presence and the export of products to export markets. The costs of research and development and new market 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) represents approximately NZ$15.3m (6 months to 30 September 2023 NZ$ 16.4m) and from one customer of the New Zealand segment (also being a licensed wholesaler) represents approximately NZ$ 12.7m (6 months to September 2023: NZ$12.3m) of the Group's revenues.

7. Interest Bearing Liabilities

	Unaudited as at 30 Sep 2024 $'000	Audited as at 31 Mar 2024 $'000	Unaudited as at 30 Sep 2023 $'000
Current lease liabilities	752	796	748
Non-current lease liabilities	2,848	3,194	3,421
Related party loan	439	-	-
BNZ overdraft	-	-	3,585
BNZ Term loans current portion	-	-	-
BNZ Term loans non-current portion	29,600	28,200	33,200
Total	**33,639**	**32,190**	**40,954**
Opening balance of BNZ loan	28,200	33,200	33,200
BNZ loans drawn down	1,400	-	-
Repayment of principal	-	(5,000)	-
Closing balance	**29,600**	**28,200**	**33,200**

The BNZ loans have a general security over the assets of the Group together with a Group guarantee.

On 30 September 2022 the BNZ facility was renewed for a further three-year term through to April 2026. The facility retains a) the $18.2 million term loan, b) the $10.0 million working capital facility, c) the $3.0 million overdraft and d) the $5.0 million Business Finance Scheme Loan (BFS). The maturity date for the BFS is May 2026.

Interest on the term loan and working capital facility is the BNZ CCAF or CARL plus a margin of 1.45%. Interest on the overdraft is the BNZ market connect base rate plus a margin of 1.00%. Interest on the BFS is fixed at 2.30%. The non fixed interest rates are reset on a quarterly basis.

As at 30 September 2024 the Group overdraft facility was nil (September 2023: drawn down by $3,585k).

All covenants relating to the BNZ facility have been complied with for the six months ending 30 September 2024.

The related party loan consists of financing provided by the minority shareholder of AFT Pharma UK Limited. Shareholder loans bear interest at AFT 's borrowing rate plus a margin of 1.5%. AFT's reciprocal financing contributions, as the majority shareholder of AFT Pharma UK Limited, are eliminated upon consolidation. AFT Pharma UK Limited was incorporated in December 2022 and has recently begun trading.

AP

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and 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.

Notes to the Financial Statements (Continued) For The Six Months Ended 30 September 2024

8. Share Capital

Ordinary shares are classified as equity.

	Unaudited as at 30 Sep 2024 $'000	Audited as at 31 Mar 2024 $'000	Unaudited as at 30 Sep 2024 $'000	Audited as at 31 Mar 2024 $'000
Ordinary share capital	104,866,260	104,866,260	81,406	81,406
Less capital raising costs	-	-	(3,166)	(3,166)
Total	**104,866,260**	**104,866,260**	**78,240**	**78,240**

	Unaudited 6 months ended 30 Sep 2024 $'000	Audited 12 months ended 31 Mar 2024 $'000	Unaudited 6 months ended 30 Sep 2024 $'000	Audited 12 months ended 31 Mar 2024 $'000
Share capital at beginning of the year	104,866,260	104,866,260	78,240	78,240
Issue of ordinary shares for exercised share options	-	-	-	-
Total	**104,866,260**	**104,866,260**	**78,240**	**78,240**

Ordinary shares

No shares were issued during the period (In the six month period to September 2023: no shares were issued as a result of staff share options being exercised as detailed below).

Staff share options

In May 2023 510,000 options were granted. A total of 25,000 have since lapsed, through voluntary employee separations. None of the 485,000 outstanding options remaining have been exercised and in the six month period to 30 September 2024, no new options were granted.

AP

The Company has a share option plan for employees of the Group. In accordance with the terms of the plan, as approved by the directors, certain employees on 5 May 2023 were granted share purchase options.

- Each employee share option converts into one ordinary share of the Company on exercise.
- No amounts are paid or payable by the recipient on receipt of the option.
- The options carry neither rights to dividends nor voting rights.
- Options may be exercised at any time from the date of vesting to the date of their expiry.
- The number of options granted is calculated in accordance with the performance-based formula approved by the directors at previous Board meetings. The formula rewards employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria including the following financial and operational measures:

- Market share
- Net profit
- Target sales thresholds; and
- Product registration and licensing targets.

Staff share options are valued at fair value at the grant date as calculated using the Black Scholes model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

9. Dividends per Share

On 4 July 2024 payment of a dividend of 1.6 cents per share or approximately $1.7 million was paid. This was not imputed. In July 2023 a maiden dividend of 1.1 cents per share, or approximately 1.2mil, was paid to the ordinary shareholders.

10. Contingent Assets and Liabilities

The Group has provided a guarantee to Investec Limited for the lease premises AFT Pharmaceuticals (AU) PTY Limited occupies in Sydney, Australia. A deposit of AUD$84,000 is held with NAB bank as security for this lease.

The Group has provided a guarantee to Robt Jones Investment Holdings Ltd of $100,000 as security over the leased office premises at 129 Hurstmere Road, Takapuna. Auckland.

The Group placed NZD$75,000 on term deposit with BNZ bank as security for a guarantee issued by BNZ in favour of the NZX.

The High Court of Auckland made judgement in late August 2023 in a case brought against the Company by a former contractor to the Company, PBL Solutions Limited (PBL), in Southeast Asia. In essence the case involved PBL's opportunity to participate in Pascomer drug development opportunities. As part of the judgement the Court ruled AFT is not required to account to PBL for any profit which AFT may earn from the application of Pascomer for treatment of nonorphan conditions such as Port Wine Stain (PWS).

PBL has appealed this aspect of the judgement. This has been set down to be heard in February 2025. The group has included this appeal as one of its factors in assessing the carrying value of the Pascomer IP, and the valuation indicates sufficient headroom such that a reasonably possible change to the key assumptions is unlikely to result in an impairment of the Pascomer assets. The key assumptions have remained materially the same as those reported in the March 2024 annual report. These include successful clinic trials and registration in the US, Europe, and Australasia; cashflows out to 2043 at a discount rate of 12.5% and for PWS, consistent addressable markets in the US, Europe, and Australasia. The Group continue to assume no growth in the patient base, peak penetration of 2.5%, and a success probability of 30%.

11. Capital Commitments

The Group has no capital commitments as at 30 September 2024 (31 March 2024: nil, 30 September 2023: nil).

Notes to the Financial Statements (Continued) For The Six Months Ended 30 September 2024

12. Financial Risk Management

Managing financial risk

The Group'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	Description	Sensitivity
Currency risk	Exposure to changes in foreign exchange rates on assets, liabilities, revenue and expenses	As below
Interest rate risk	Exposure to changes in interest rates on borrowings	As below
Other price risk	No commodity securities are bought, sold or traded	Nil

• **Foreign exchange risk**

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 at year end and the contract exchange rates, considered level 2 of the fair value hierarchy.

The Group sells and purchases goods and services to and from overseas customers and suppliers in several currencies, primarily AUD, USD, EUR and GBP which exposes the Group to foreign currency risk. The Group manages foreign currency risk through use of derivative arrangements, in particular forward exchange contracts. The exposure is monitored on a regular basis based on Group foreign exchange policies, which allow for up to 50% forward cover out for twelve months. Future revenues from markets outside Australasia will be denominated primarily in USD and EUR which will provide an increasing natural hedge against costs.

In the current period for the six months to 30 September net foreign exchange gains totalled $ 299k (2023: gains $492k). The balance of gains/losses are derived from the restatement of monetary balances at the spot rate on the period-end balance date of 30 September 2024 and settlement of transactions during the period.

In total, the Group had financial assets and liabilities denominated in the following currencies:

	Unaudited 30 Sep 2024		Audited 31 Mar 2024		Unaudited 30 Sep 2023	
Currency	Assets NZD$'000	Liabilities NZD$'000	Assets NZD$'000	Liabilities NZD$'000	Assets NZD$'000	Liabilities NZD$'000
AUD	30,166	5,934	41,798	5,834	19,909	8,268
USD	3,040	3,227	3,777	7,337	5,280	6,304
MYR	631	3	514	1	667	1
GBP	1,184	383	494	315	165	47
EUR	5,142	5,688	2,908	5,526	3,616	7,511
SGD	445	10	558	9	629	32
CNY	79	-	19	88	42	-
BND	-	-	8	-	-	-
HKD	6	3	2	4	-	6
YEN	-	2	-	-	-	-
CHF	-	-	8	-		-
CAD	1	-	-	-	-	-

The following forward foreign exchange contracts were held at 30 September 2024:

Forward Foreign Exchange Contracts

Buy currency	Buy currency amount $'000	Sell amount NZD$'000	Buy amount NZD$'000	Fair value NZD$'000
EUR	2,950	5,242	5,192	(50)
USD	2,330	3,805	3,660	(145)
Sell currency	**Sell currency amount $'000**	**Buy amount NZD$'000**	**Sell amount NZD$'000**	**Fair value NZD$'000**
AUD	17,900	19,701	19,484	216
Total Asset As at 30 September 2024				**216**
Total Liability As at 30 September 2024				**(195)**

The following forward foreign exchange contracts were held at 31 March 2024:

Forward Foreign Exchange Contracts

Buy currency	Buy currency amount $'000	Sell amount NZD$'000	Buy amount NZD$'000	Fair value NZD$'000
EUR	4,870	8,644	8,838	194
USD	3,650	5,913	6,084	171
AUD	10,540	11,564	11,521	43
Total asset as at 31 March 2024				**408**
Total liability as at 31 March 2024				**-**

The following forward foreign exchange contracts were held at 30 September 2023:

Forward Foreign Exchange Contracts

Buy currency	Buy currency amount $'000	Sell amount NZD$'000	Buy amount NZD$'000	Fair value NZD$'000
EUR	1,850	3,247	3,280	34
USD	3,075	4,906	5,141	235
GBP	160	308	326	18
Sell currency	**Sell currency amount $'000**	**Buy amount NZD$'000**	**Sell amount NZD$'000**	**Fair value NZD$'000**
AUD	19,390	21,496	20,890	606
Total asset as at 30 September 2023				**893**
Total liability as at 30 September 2023				**-**

- **Interest rate risk**

Borrowings are at a mixture of floating base rates plus a margin determined by the Group's performance against covenant adherence levels, which exposes the Group to cash flow 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 and cash and cash equivalents. 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 30 September 2024, with the largest debtor being AU$ 6.1m (30 September 2023: AU$ 3.68m). The value is stated net of expected rebates. There has been no past experience of default and no indications of default in relation to this debtor.

Notes to the Financial Statements (Continued) For The Six Months Ended 30 September 2024

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 deposit. At balance date, bank deposits at each financial institution as a percentage of total assets were 0.4% with Bank of New Zealand at 30 September 2024 (2023 overdraft position), and 5.5% at NAB Bank (2023: 2.2%). 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.

The liquidity/maturity profile of the liabilities (inclusive of derivative assets and liabilities) is as follows:

30 September 2024 (unaudited)	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	TOTAL $'000
Trade and other payables	(25,280)	-	-	-	(25,280)
Borrowings	(2,655)	(2,655)	(33,804)	-	(39,114)
Lease liabilities	(993)	(863)	(1,515)	(1,063)	(4,434)
Derivative instruments (outbound)	(28,531)	-	-	-	(28,531)
Derivative instruments (inbound)	28,552	-	-	-	28,552
Total	**(28,907)**	**(3,518)**	**(35,319)**	**(1,063)**	**(68,807)**
31 March 2024 (audited)	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	(34,609)	-	-	-	(34,609)
Borrowings	(2,542)	(2,542)	(33,500)	-	(38,584)
Lease liabilities	(1,010)	(852)	(1,539)	(1,098)	(4,499)
Derivative instruments (outbound)	(26,078)	-	-	-	(26,078)
Derivative instruments (inbound)	26,486	-	-	-	26,486
Total	**(37,753)**	**(3,394)**	**(35,039)**	**(1,098)**	**(77,284)**

Fair Values

The carrying values of trade receivables, trade payables and borrowings approximate their fair values because of their short terms to maturity or interest reset dates. Trade receivables are valued net of provision and trade payables are valued at their original amounts by contract.

13. 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 are determined by the Group's internal Corporate Governance policies.

Under the BNZ facility, there is 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 50% of acceptable stock. Additional covenants include a requirement for a minimum principal and interest cover ratio, a minimum net leverage ratio and a maximum capital expenditure (capex) and research and development (R&D) ratio. Covenant reporting is required on a quarterly basis. The Group was compliant with all BNZ covenants during the period.

14. Significant Events After Balance Sheet Date

Appointment of Allison Yorston as an independent non-executive director to the board of AFT Pharmaceuticals Limited. There were no other significant events after balance sheet date.

15. Related Parties

The Group had related party relationships with the following entities:

Related party	Nature of relationship
Atkinson Family Trust	AFT Chief Executive Officer, Hartley Atkinson, is a Trustee / Discretionary Beneficiary of Atkinson Family Trust. AFT Chief of Staff, Marree Atkinson, is a Discretionary Beneficiary of Atkinson Family Trust
Edge Group	Minority shareholder of AFT Pharma UK Limited. Related party loan

Key management compensation	Unaudited 6 months ended 30 Sep 2024 $'000	Audited 12 months ended 31 Mar 2024 $'000	Unaudited 6 months ended 30 Sep 2023 $'000
Director fees	243	501	252
Executive salaries	878	1,558	779
Short term benefits	240	416	208
Options expense	-	-	35
Key management compensation	**1,362**	**2,475**	**1,274**
Related party loan	**439**	**-**	**-**

Key management includes external directors, the Chief Executive Officer, the Chief of Staff, the Chief Financial Officer and the Director of International Business Development. These positions are mainly responsible for planning, controlling and directing the activities of the business.

Directory

AFT is a company incorporated with limited liability under the New Zealand Companies Act 1993 (Companies Office registration number 873005).

Registered Offices	Level 1, 129 Hurstmere Road, Takapuna, Auckland 0622, New Zealand. +64 9 488 0232 www.aftpharm.com 113 Wicks Road, North Ryde NSW 2113, Australia. +61 2 9420 0420
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Directors – at the date of this Interim Report	Dr Hartley Atkinson Marree Atkinson David Flacks Andrew Lane Dr Ted Witek Allison Yorston
Share Registrar:	Computershare Investor Services Limited Level 2, 159 Hurstmere Road, Takapuna, Auckland 0622, New Zealand. +64 9 488 8777 enquiry@computershare.co.nz Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3001, Australia. +61 3 9415 4083 enquiry@computershare.co.nz
Auditor	Deloitte Limited, Deloitte Centre, 1 Queen Street, Auckland 1140, New Zealand. +64 9 303 0700
Legal Counsel	Harmos Horton Lusk Level 33, Vero Centre, 48 Shortland Street, Auckland 1140, New Zealand. +64 9 921 4300

Financial Calendar

Financial year end	31 March 2025
Full year results announcement	May 2025
Annual Meeting	August 2025
Half-year end	30 September 2025

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AFT pharmaceuticals
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