



**INTERIM REPORT
FOR THE SIX MONTHS ENDED
30 September 2015**

AFT PHARMACEUTICALS LIMITED

Consolidated Income Statement

For the Six Months Ended 30 September 2015

	Unaudited 6 Mths Ended 30-Sep-15 \$'000	Unaudited 6 Mths Ended 30-Sep-14 \$'000
Revenue	29,543	24,153
Cost of sales	(19,161)	(15,277)
Gross Profit	10,382	8,876
Other income	1,328	468
Selling and distribution expenses	(9,525)	(8,076)
General and administrative expenses	(3,302)	(2,882)
Research and development expenses	(2,406)	(2,772)
Operating (Loss)/Profit	(3,523)	(4,386)
Finance income	6	30
Finance costs	(2,806)	(1,924)
Loss before tax	(6,323)	(6,280)
Tax (expense)/benefit	(44)	168
Loss after tax attributable to owners of the parent	(6,367)	(6,112)
Basic and diluted earnings per share (\$)	(5.40)	(5.18)

AFT PHARMACEUTICALS LIMITED

Consolidated Statement of Comprehensive Income For the Six Months Ended 30 September 2015

	Unaudited 6 Mths Ended 30-Sep-15 \$'000	Unaudited 6 Mths Ended 30-Sep-14 \$'000
Loss after tax	(6,367)	(6,112)
Other comprehensive income/(loss)		
May be subsequently reclassified to profit and loss:		
Foreign currency translation reserve	(460)	11
Fair value gains of cash flow hedges	1,222	189
Income tax relating to components of other comprehensive income	(342)	-
Other comprehensive income for the period, net of tax	420	200
Total comprehensive income/(loss) for the period attributable to owners of the parent	(5,947)	(5,912)

AFT PHARMACEUTICALS LIMITED

Consolidated Statement of Changes in Equity For the Six Months Ended 30 September 2015

	Note	Share capital \$'000	Cash flow hedge reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	TOTAL EQUITY \$'000
Balance as at 31 March 2014		33	-	(166)	3,181	3,048
Unaudited						
Loss after tax		-	-	-	(6,112)	(6,112)
Other comprehensive income		-	189	11	-	200
Issue of share capital		13,894	-	-	-	13,894
Capital raising expenses		(1,030)	-	-	-	(1,030)
Dividends paid and provided		-	-	-	(467)	(467)
Balance as at 30 September 2014		12,897	189	(155)	(3,398)	9,533
Unaudited						
Loss after tax		-	-	-	(6,761)	(6,761)
Other comprehensive income/(loss)		-	(494)	321	-	(173)
Issue of share capital		-	-	-	-	-
Capital raising expenses		(5)	-	-	-	(5)
Dividends paid and provided		-	-	-	(573)	(573)
Balance as at 31 March 2015		12,892	(305)	166	(10,732)	2,021
Unaudited						
Loss after tax		-	-	-	(6,367)	(6,367)
Other comprehensive income/(loss)		-	880	(460)	-	420
Issue of share capital	4	9,392	-	-	-	9,392
Capital raising expenses		(548)	-	-	-	(548)
Dividends paid and provided	5	-	-	-	(960)	(960)
Balance as at 30 September 2015		21,736	575	(294)	(18,059)	3,958

AFT PHARMACEUTICALS LIMITED

Consolidated Balance Sheet

As at 30 September 2015

	Note	Unaudited As at 30-Sep-15 \$'000	Audited As at 31-Mar-15 \$'000	Unaudited As at 30-Sep-14 \$'000
ASSETS				
Current assets				
Inventories		15,072	14,686	15,432
Trade and other receivables		12,224	11,251	7,858
Cash and cash equivalents		10,016	4,700	4,802
Current income tax asset		113	88	239
Total current assets		37,425	30,725	28,331
Non-current assets				
Property, plant and equipment		449	411	442
Intangible assets		1,853	1,669	1,587
Deferred income tax assets		45	408	175
Derivative assets	8	917	-	189
Total non-current assets		3,264	2,488	2,393
Total assets		40,689	33,213	30,724
LIABILITIES				
Current liabilities				
Trade and other payables		9,684	8,258	8,247
Provisions		2,326	1,890	1,111
Derivative liabilities	8	-	305	-
Total current liabilities		12,010	10,453	9,358
Non-current liabilities				
Interest bearing liabilities	3	24,721	20,739	11,833
Total liabilities		36,731	31,192	21,191
EQUITY				
Share capital	4	21,736	12,892	12,897
Accumulated losses		(18,059)	(10,732)	(3,398)
Cash flow hedge reserve		917	(305)	189
Income tax relating to components of other comprehensive income		(342)	-	-
Foreign currency translation reserve		(294)	166	(155)
Total equity		3,958	2,021	9,533
Total liabilities and equity		40,689	33,213	30,724

Director: _____



AFT PHARMACEUTICALS LIMITED
Consolidated Statement of Cash Flows
For the Six Months Ended 30 September 2015

		Unaudited 6 Mths Ended 30-Sep-15 \$'000	Unaudited 6 Mths Ended 30-Sep-14 \$'000
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		30,968	26,119
Interest received		6	30
Payments to suppliers and employees		(33,559)	(31,588)
Tax (paid)/received		(18)	(80)
Interest and finance cost paid		(1,068)	(1,499)
Net cash used in operating activities	6	(3,671)	(7,018)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(105)	(95)
Sale of property, plant and equipment		11	-
Purchases of intangible assets		(238)	(214)
Net cash used in investing activities		(332)	(309)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	4	9,392	13,894
Share issue costs		(548)	(1,030)
Dividends paid	5	(727)	(479)
New borrowings		-	11,664
Repayment of borrowings		-	(13,137)
Net cash generated from financing activities		8,117	10,912
Net increase in cash		4,114	3,585
Impact of foreign exchange on cash and cash equivalents		1,202	(31)
Opening cash and cash equivalents		4,700	1,248
Closing cash and cash equivalents		10,016	4,802

AFT PHARMACEUTICALS LIMITED

Notes to the financial statements

For the Six Months Ended 30 September 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.

These consolidated interim financial statements were approved by the Directors on 22 October 2015, and are not audited, but reviewed by PricewaterhouseCoopers in accordance with the New Zealand Standard on Review Engagement 2410.

2. BASIS OF PREPARATION

These statements are prepared for the purpose of inclusion in the Company's entry on the offer register at www.business.govt.nz/disclose in relation to the initial public offering of ordinary shares in the Company. The general purpose financial statements for the six months ended 30 September 2015 of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (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.

These 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 2015, which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

All accounting policies have been applied on a basis consistent with those used in the audited financial statements for the year ended 31 March 2015, as described in those annual financial statements.

AFT PHARMACEUTICALS LIMITED

Notes to the financial statements

For the Six Months Ended 30 September 2015

3. INTEREST BEARING LIABILITIES

	Unaudited As at 30-Sep-15 \$'000	Audited As at 31-Mar-15 \$'000	Unaudited As at 30-Sep-14 \$'000
CRG (Capital Royalty Partners) loans	24,721	20,739	11,833

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.

There are two covenants under the CRG Loan Agreement which have been renegotiated during the period. The first requires a minimum bank balance of NZ\$4million at each month end. The second is for Revenues to exceed NZ\$64.5million for the 2016 financial year. No breaches of covenants have occurred in the period.

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.

The fair value of the CRG loan is \$24million based on a discounted cashflow calculation considered to be level 3 in the fair value hierarchy.

The loan is denominated in United States dollars (USD) and during the period NZ\$3.4million was recognised as unrealised foreign exchange loss.

4. SHARE CAPITAL

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 carry a 5% per annum dividend rate which is settled in cash.

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 of 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.

AFT PHARMACEUTICALS LIMITED

Notes to the financial statements

For the Six Months Ended 30 September 2015

5. DIVIDENDS PAID

Ordinary shares

No dividends have been paid or declared for the ordinary shares.

Series A Preferred Shares

A dividend of 6% per annum was paid on 14 July 2015 for the quarter ended 30 June 2015, which together with supplementary dividends, amounted to NZ\$349,083.

A dividend of 6% per annum was provided for the quarter ended 30 September 2015, which together with supplementary dividends, amounted to NZ\$372,565.

Series B Preferred Shares

A dividend of 5% per annum was paid on 14 July 2015 for the quarter ended 30 June 2015 amounting to NZ\$65,633.

A dividend of 5% per annum was provided for the quarter ended 30 September 2015 amounting to NZ\$137,435.

6. RECONCILIATION OF LOSS AFTER TAX WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	Unaudited As at 30-Sep-15 \$'000	Unaudited As at 30 Sep 2014 \$'000
Loss after tax	(6,367)	(6,112)
Non-cash items:		
Depreciation	67	58
Amortisation	54	45
Impact of foreign exchange on cash and cash equivalents	(1,202)	31
Movement in working capital:		
(Increase)/Decrease in inventories	(404)	(2,796)
(Increase)/Decrease in trade and other receivables	(714)	1,680
Increase/(Decrease) in trade and other payables	1,459	381
Foreign currency revaluation of loan	3,441	-
Increase/(Decrease) in income tax	(5)	(305)
Net cash (used in)/generated from operating activities	(3,671)	(7,018)

AFT PHARMACEUTICALS LIMITED

Notes to the financial statements

For the Six Months Ended 30 September 2015

7. SEGMENT REPORTING

	Operating Segments				
	Australia	New Zealand	Asia	Rest of World	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
Unaudited					
Sep-15					
Revenue	13,823	15,034	259	427	29,543
Other income	-	-	-	1,328	1,328
Depreciation and amortisation	11	108	2	-	121
Loss before tax	(1,404)	(4,141)	(456)	(322)	(6,323)
Finance income	-	(6)	-	-	(6)
Finance costs	(352)	3,141	17	-	2,806
Total Assets	12,481	28,608	(400)	-	40,689
Property, plant and equipment	70	369	10	-	449
Intangible assets	-	1,853	-	-	1,853
Capital expenditure	(294)	(47)	(2)	-	(343)
Unaudited					
Sep-14					
Revenue	10,745	13,294	51	63	24,153
Other income	-	-	-	468	468
Depreciation and amortisation	7	96	-	-	103
Loss before tax	(2,395)	(1,910)	(622)	(1,353)	(6,280)
Finance income	-	(30)	-	-	(30)
Finance costs	(157)	2,081	-	-	1,924
Total Assets	10,919	20,080	(275)	-	30,724
Property, plant and equipment	45	388	9	-	442
Intangible assets	-	1,587	-	-	1,587
Capital expenditure	(277)	(23)	(9)	-	(309)

AFT PHARMACEUTICALS LIMITED

Notes to the financial statements

For the Six Months Ended 30 September 2015

8. 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.

Forward foreign exchange contracts are entered into to reduce exposure to risk associated with foreign exchange volatility:

Forward Foreign Exchange Contracts				
Buy Currency	Buy Currency Amount ('000)	Sell Amount NZD ('000)	30-Sep-15 Value NZD ('000)	MTM Value NZD ('000)
EUR	1,725	2,667	3,070	403
GBP	200	403	480	77
USD	1,870	2,512	2,949	437
Total exposure as at 30 September 2015:				917

All contracts mature within one year from 30 September 2015.

Forward Foreign Exchange Contracts				
Buy Currency	Buy Currency Amount ('000)	Sell Amount NZD ('000)	31-Mar-15 Value 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.

Forward Foreign Exchange Contracts				
Buy Currency	Buy Currency Amount ('000)	Sell Amount NZD ('000)	30-Sep-14 Value NZD ('000)	MTM Value NZD ('000)
EUR	2,425	3,965	3,982	17
GBP	220	436	461	25
USD	1,640	1,972	2,119	147
Total exposure as at 30 September 2014:				189

All contracts mature within one year from 30 September 2014.

AFT PHARMACEUTICALS LIMITED

Notes to the financial statements

For the Six Months Ended 30 September 2015

9. 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
CRG (Capital Royalty Partners)	Shareholder

The following transactions were carried out with these related parties:

(i) Consultation fees

	Unaudited As at 30-Sep-15 \$'000	Audited As at 31-Mar-15 \$'000	Unaudited As at 30-Sep-14 \$'000
Redvers Limited	113	101	40
Mainz Consulting Limited	18	55	19
Total consultation fees	131	156	59

(ii) Loans

	Note	Unaudited As at 30-Sep-15 \$'000	Audited As at 31-Mar-15 \$'000	Unaudited As at 30-Sep-14 \$'000
CRG (Capital Royalty Partners)	3	24,721	20,739	11,833
Total loan balances		24,721	20,739	11,833

AFT PHARMACEUTICALS LIMITED

Notes to the financial statements

For the Six Months Ended 30 September 2015

9. RELATED PARTIES (continued)

(iii) Key management compensation

	Unaudited As at 30-Sep-15 \$'000	Audited As at 31-Mar-15 \$'000	Unaudited As at 30-Sep-14 \$'000
Salaries and other short term benefits	419	694	347
Key management compensation	419	694	347

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.

10. CONTINGENT LIABILITIES

In May 2015, AFT Pharmaceuticals Ltd has signed as guarantor of AFT Pharmaceuticals Pty Ltd for its 5-year lease contract with Shannon Wicks Pty Ltd for the premises occupied in Sydney, Australia. There are no other known contingent liabilities as at 30 September 2015 (31 March 2015: nil; 30 September 2014: nil).

11. CAPITAL COMMITMENTS

The Group has no capital commitments at 30 September 2015 (31 March 2015: nil; 30 September 2014: nil).

12. SUBSEQUENT EVENTS

The company is in the process of undertaking an Initial Public Offering of shares to list on both the NZX Main Board and Australian Stock Exchange. Costs have been incurred since the interim reporting date as part of this exercise.

AFT PHARMACEUTICALS LIMITED

Company Directory

As at 30 September 2015

Registered Office

Level 1, Nielsen House
129 Hurstmere Road
Takapuna
Auckland

Directors

Dr Hartley Atkinson
Marree Atkinson
Jim Burns (appointed 17 September 2015)
Nate Hukill
Jon Lamb
Malcolm Tubby (resigned 08 October 2015)
Doug Wilson
David Flacks

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



Independent Review Report

to the shareholders of AFT Pharmaceuticals Limited

Report on the Financial Statements

We have reviewed the accompanying interim consolidated financial statements of AFT Pharmaceuticals Limited ("the Company") on pages 1 to 12, which comprise the condensed balance sheet as at 30 September 2015, the condensed income statement, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes for the Group. The Group comprises the Company and the entities it controlled at 30 September 2015 or from time to time during the period.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (NZ IAS 34) 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.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditors 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). Accordingly we do not express an audit opinion on these financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the area of taxation services. The provision of these other services has not impaired our independence.



Independent Review Report

AFT Pharmaceuticals Limited

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these consolidated financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34.

Restriction on Use of Our Report

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

PricewaterhouseCoopers

Chartered Accountants
22 October 2015

Auckland