

AFT PHARMACEUTICALS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 March 2013

AFT PHARMACEUTICALS LIMITED

Financial Statements

For the Year Ended 31 March 2013

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AFT PHARMACEUTICALS LIMITED

Company Directory

As at 31 March 2013

Registered Office

Level 1, A.C. Nielsen House
129 Hurstmere Road
Takapuna
Auckland

Director

Dr Hartley Atkinson
Marree Atkinson
Jon Lamb
Malcolm Tubby
Doug Wilson

Auditors

PricewaterhouseCoopers
Level 1, Westpac Building,
106 George Street
Dunedin

Solicitors

Harmos Horton Lusk Limited
Barristers & Solicitors

Bankers

BNZ Bank
NAB Bank

Date of Formation

4th September 1997

Company Number

873005

Nature of Business

Distribution of pharmaceutical products in New Zealand and Australia and development of pharmaceutical intellectual property.

Shareholders

Dr Hartley Atkinson and Colin McKay as Trustees for
the Atkinson Family Trust
Total Issued Shares

<u>1,000</u>	Ordinary Shares
1,000	Ordinary Shares

AFT PHARMACEUTICALS LIMITED

Annual Report

For the Year Ended 31 March 2013

The Director presents herewith this Annual report including Financial Statements of the Company for the year ended 31st March 2013.

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

The business of the Company is a pharmaceutical distributor and developer of pharmaceutical intellectual property.

The nature of the Company's business has not changed during the year.

Auditors

PricewaterhouseCoopers are the Auditors of the company and Group.

Audit Expenditure was incurred during the year as shown in the Statements of Comprehensive Income.

Director' Disclosures

No Director acquired or disposed of any interest in shares in the Company or its subsidiary.

The following Directors were appointed on 4 September 2012:

Marree Atkinson

Jon Lamb

Malcolm Tubby

Doug Wilson

The following Director held office:

Dr Hartley Atkinson

No other person was a Director at any time.

Director's 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

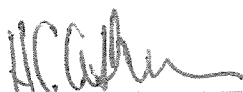
No dividend was declared or paid during the year. (2012: \$nil)

Employee Remuneration

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

\$100,000 to \$109,999	2
\$140,000 to \$149,999	1
\$150,000 to \$159,999	1
\$160,000 to \$169,999	1
\$370,000 to \$379,999	1

Director



Dated 21 August 2013.

AFT PHARMACEUTICALS LIMITED

Statements of Comprehensive Income For the Year Ended 31 March 2013

		Consolidated		Parent	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
REVENUE					
Sales – Net of discounts	4	40,363	34,739	36,203	31,944
TOTAL COST OF SALES		22,727	19,381	24,740	20,631
GROSS PROFIT		17,636	15,358	11,462	11,313
OTHER INCOME					
Management Fees		-	-	431	328
Research and Development Grant		536	-	536	-
		18,172	15,358	12,429	11,641
LESS EXPENSES					
Distribution Costs		1,405	1,148	820	696
Registration & License Fees		1,729	1,848	1,292	873
Research	5	2,701	1,073	2,701	1,073
Marketing Costs		3,713	2,934	2,555	3,462
Bad Debt & Contingency Provision/(released)		71	15	(4)	15
Employee emoluments		5,837	3,874	3,063	2,042
Administration Costs		1,028	2,016	797	1,312
Rent & Rates		418	320	308	249
TOTAL EXPENSES		16,902	13,228	11,532	9,722
OPERATING PROFIT		1,270	2,130	898	1,919
Other Income					
Interest Expense		609	535	366	525
Other Finance Costs		170	-	72	-
TOTAL OTHER INCOME		779	535	438	525
NET PROFIT BEFORE DEPRECIATION AND AMORTISATION		491	1,595	460	1,394
Less Depreciation	10	146	146	139	136
Less Amortisation	11	39	30	39	30
NET OPERATING PROFIT BEFORE TAX		306	1,419	282	1,229
Less Income Tax	6	134	522	76	445
NET PROFIT FOR YEAR		172	897	206	784

NOTE: This Statement is to be read in conjunction with the Notes to the Financial Statements

AFT PHARMACEUTICALS LIMITED

Statements of Changes in Equity For the Year Ended 31 March 2013

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
EQUITY AT START OF PERIOD	4,157	3,331	3,690	2,906
Net Profit for Year	172	897	206	784
Total Recognised Revenues & Expenses	172	897	206	784
OTHER MOVEMENTS				
Foreign Exchange Translation Reserve	10	(71)	-	-
	10	(71)	-	-
EQUITY AT END OF PERIOD	<u>4,339</u>	<u>4,157</u>	<u>3,896</u>	<u>3,690</u>
COMPRISING:				
Contributed Equity				
Opening Balance	41	41	41	41
Shares Issued During the Year	-	-	-	-
Closing Balance	<u>41</u>	<u>41</u>	<u>41</u>	<u>41</u>
Foreign Exchange Translation Reserve				
Opening Balance	4	4	-	-
Foreign Translation Gain/(loss) during the year	10	(71)	-	-
Transfer to Retained Earnings	(10)	71	-	-
Closing Balance	<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>
Retained Earnings				
Opening Balance	4,111	3,285	3,649	2,865
Profit for the Year	172	897	206	784
Foreign Exchange Translation Differences	10	(71)	-	-
Closing Balance	<u>4,294</u>	<u>4,111</u>	<u>3,855</u>	<u>3,649</u>
Total Equity	<u>4,339</u>	<u>4,156</u>	<u>3,896</u>	<u>3,690</u>

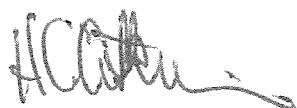
NOTE: This Statement is to be read in conjunction with the Notes to the Financial Statements

AFT PHARMACEUTICALS LIMITED

Balance Sheets

As at 31 March 2013

		Consolidated		Parent	
	Notes	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
CURRENT ASSETS					
Cash and Cash Equivalents	7	1,084	153	288	-
Income Tax Refund Due	6	55	-	74	-
Accounts Receivable	8	7,863	4,803	8,460	6,983
Inventories	9	11,699	8,711	7,679	6,015
		<u>20,701</u>	<u>13,667</u>	<u>16,500</u>	<u>12,998</u>
NON-CURRENT ASSETS					
Plant & Equipment	10	485	512	441	476
Intangible Assets	11	1,059	731	1,059	731
Investment/Loan in Subsidiary Company	12	-	-	4,001	1
		<u>1,545</u>	<u>1,243</u>	<u>5,502</u>	<u>1,208</u>
TOTAL ASSETS		<u>22,246</u>	<u>14,910</u>	<u>22,002</u>	<u>14,206</u>
CURRENT LIABILITIES					
Cash and Cash Equivalents	7	8	2,503	8	2,503
Bank Borrowings – Loan	14	-	4,646	-	4,646
GST Payable		129	179	128	88
Accounts Payable	13	5,235	3,232	5,436	3,129
Income tax payable	6	-	194	-	151
		<u>5,371</u>	<u>10,754</u>	<u>5,572</u>	<u>10,517</u>
NON CURRENT LIABILITIES					
Bank Borrowings – Non Current	14	12,535	-	12,535	-
TOTAL LIABILITIES		<u>17,907</u>	<u>10,754</u>	<u>18,106</u>	<u>10,517</u>
NET ASSETS		<u>4,339</u>	<u>4,156</u>	<u>3,896</u>	<u>3,689</u>
REPRESENTED BY:					
EQUITY					
Share Capital	15	41	41	41	41
Foreign Exchange Translation Reserve	16	4	4	-	-
Retaining Earnings	17	4,294	4,111	3,855	3,649
		<u>4,339</u>	<u>4,156</u>	<u>3,896</u>	<u>3,690</u>



Director
21 August 2013

NOTE: This Statement is to be read in conjunction with the Notes to the Financial Statements

AFT PHARMACEUTICALS LIMITED

Statements of Cash Flows

For the Year Ended 31 March 2013

		Consolidated		Parent	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Operating Activities					
Cash was provided from:					
Receipts from Customers		38,481	34,559	22,111	30,439
Interest Received		287	-	287	-
Management Fee Received		-	-	431	328
		<u>38,767</u>	<u>34,559</u>	<u>22,829</u>	<u>30,767</u>
Cash was applied to:					
Payments to Suppliers		(37,495)	(30,444)	(24,053)	(28,814)
Payments to Employees		(4,047)	(3,575)	(2,646)	(1,822)
Tax Paid		(416)	(505)	(323)	(436)
Interest Paid		(779)	(535)	(438)	(525)
		<u>(42,737)</u>	<u>(35,059)</u>	<u>(27,459)</u>	<u>(31,597)</u>
Net Cash Outflow to Operating Activities	18	(3,970)	(500)	(4,630)	(830)
Investing Activities					
Cash was applied to:					
Purchase of Plant and Equipment		(120)	(506)	(104)	(510)
Patents and Trademarks Purchased		(367)	(196)	(367)	(196)
Loan to Shareholder Repaid		-	(263)	-	(263)
		<u>(487)</u>	<u>(965)</u>	<u>(472)</u>	<u>(969)</u>
Net Cash Outflow to Investing Activities		(487)	(965)	(472)	(969)
Financing Activities					
Cash was provided from:					
Bank Borrowings		7,884	4,646	7,884	4,646
		<u>7,884</u>	<u>4,646</u>	<u>7,884</u>	<u>4,646</u>
Cash was applied to:					
Repayment of bank borrowings		-	4,254	-	4,254
		<u>-</u>	<u>4,254</u>	<u>-</u>	<u>4,254</u>
Net Cash Inflow from Financing Activities		<u>7,884</u>	<u>392</u>	<u>7,884</u>	<u>392</u>
Net Increase/(Decrease) in Cash Held		3,427	(1,073)	2,783	(1,407)
Add Opening Cash Balance Bought Forward - Overdraft		<u>(2,350)</u>	<u>(1,277)</u>	<u>(2,503)</u>	<u>(1,096)</u>
Ended Cash Carried Forward – Asset/(Overdraft)		<u>1,077</u>	<u>(2,350)</u>	<u>280</u>	<u>(2,503)</u>

NOTE: This Statement is to be read in conjunction with the Notes to the Financial Statements

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

1. GENERAL INFORMATION

The financial statements presented here are for the entity AFT Pharmaceuticals Limited, a registered Company under the Companies Act 1993. The Company is a pharmaceutical distributor business, incorporated and domiciled in New Zealand.

AFT Pharmaceutical Limited is a reporting entity under the Financial Reporting Act 1993. These Financial Statements have been prepared in accordance with the Financial Reporting Act 1993.

These financial statements are authorised for issue on 21 August 2013 by the directors.

2. STATEMENT OF ACCOUNTING POLICIES

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been used.

(a) Basis of preparation

The financial statements have been prepared in accordance with New Zealand Accepted Accounting Practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards.

Accounting policies applied in these financial statements comply with NZ IFRS issued and effective as at the time of preparing these statements as applicable to the Company as a profit-oriented entity. The Company and Group is in compliance with International Financial Reporting Standards (IFRS).

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

The preparation of financial statements in accordance with NZ IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The most significant of these that impact on these financial statements are the calculation of depreciation of plant and equipment, accrued expenses and the assessment of any potential uncollectible accounts receivable.

These financial statements are presented in New Zealand dollars (\$), which is the Company's functional currency. Figures are rounded to the nearest thousand dollars.

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of the as at 31 March 2013 and the results of its subsidiary for the year then ended. AFT Pharmaceuticals Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are AFT Pharmaceuticals Pty Ltd in Australia, AFT Pharmaceuticals (SE Asia) SDN BHD in Malaysia and AFT Pharmaceuticals Singapore PTE LTD in Singapore.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(b) Principles of consolidation (Continued)

(i) Subsidiaries (Continued)

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

The purchase method of accounting is used to account for the subsidiary 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, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. 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.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the subsidiary's 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 statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges.

(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; and
- all resulting exchange differences are recognised as a separate component of equity.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(d) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts. Revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised when a Company and Group have delivered a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction.

(ii) Sales of Services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Interest Income

Interest income is recognised on a time-proportion basis using the effective interest method.

(e) Plant and 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 plant and equipment is calculated using the diminishing value method which is estimated to expense the cost of the assets over their useful lives. Rates set out in the Income Tax Act 2004 are used as these appreciate writing off the assets over their useful lives. The Company and Group have the following classes of fixed assets and depreciation rates:

Category	Depreciation Rate (%)
Plant & Machinery	21% to 80%
Fixtures & Fittings	9% to 60%
Vehicles	26% to 36%

An asset 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.

(f) Intangible assets

(i) Trademarks and Patents

Patent costs have a finite useful life. Patent costs are capitalised and written off over the useful economic life of 20 years. It is the intention of the company to renew its trademarks in perpetually. Accordingly, trademark costs are capitalised and will only be written off if a trademark should no longer be of any value to the company.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(g) Goods & Services Tax

The Statements of Comprehensive Income has 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 account receivables and payables.

(h) 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 at balance date.

Deferred income tax is provided in full, using the liability method, 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.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out 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.

(j) Leased Assets

Operating leases are those 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.

(k) Accounts Receivable

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 Company and 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. Post due assets are any assets which have not been updated by the counterparty within its key terms when contractually due and which are not impaired assets.

(l) Accounts Payable

These amounts represent liabilities for goods and services provided to the Company and 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 2013

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(m) 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.

(n) Share capital

Ordinary shares are classified as equity.

(o) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid 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.

(p) 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 other payables 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.

(q) 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).

(r) Critical Accounting Estimates and Assumptions

In preparing these financial statements the Company and 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 estimates and assumptions used are depreciation of fixed assets and amortisation of patents. It is not expected that these estimates and assumptions will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

3. STANDARDS OR INTERPRETATIONS NOT YET EFFECTIVE.

Certain new accounting standards and interpretations have been published that are not mandatory for 2013 reporting periods. The Group's and Company's assessment of the impact of these new standards and interpretations is set out below.

NZ IFRS 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2015)

The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities. When the standard is adopted, it is not expected to result in a change in measurement for financial assets as the current categorisation of loans and receivables is expected to remain the same. The Company would not have any transactions to disclose under the new IAS 1 and IFRS 7 disclosure requirements relating to gain or loss arising on de-recognition of financial assets measured at amortised cost. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Company does not have any such liabilities. The de-recognition rules have been transferred from NZ IAS 139 Financial Instruments: Recognition and Measurement and have not been changed. The Company has not yet decided when to adopt NZ IFRS 9.

NZ IFRS 13 Fair Value Measurement (effective for annual reporting periods beginning on or after 1 January 2013)

NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Company has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Company does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 March 2014.

NZ IAS 1 Amendments to Presentation of Items of Other Comprehensive Income (effective for annual reporting periods beginning 1 July 2012)

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Company intends to adopt the new standard from 1 April 2013.

Other standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2013 or later, but the Company has not early adopted them as they are not applicable to the Company, or the interpretation of the standards as clarified by amendments was the same as already applied by the Company.

Application of these standards, amendments and interpretations is not expected to have a material impact on AFT Pharmaceuticals Limited financial position and results in the period of initial application.

4. REVENUE FROM OPERATIONS

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Sales	50,374	41,922	37,818	33,955
Less discounts given	(10,011)	(7,183)	(1,616)	(2,011)
Net Sales	<u>40,363</u>	<u>34,739</u>	<u>36,203</u>	<u>31,944</u>

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

5. RESEARCH

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Third Party Costs - Per Statement of Comprehensive Income	2,701	1,073	2,701	1,073
Other Internal Costs	626	575	626	575
Total Research Costs	<u>3,327</u>	<u>1,648</u>	<u>3,327</u>	<u>1,648</u>

'Other Internal costs' are shown within Employee emoluments, Administration Costs and Rent and Rates within the Income Statement and incorporates staff costs split by time worked on research projects.

6. INCOME TAX

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
(a) Income tax expense				
Net Profit before Income tax	<u>306</u>	<u>1,419</u>	<u>282</u>	<u>1,229</u>
Tax calculated at domestic tax rates applicable to profits in respective countries	88	398	79	344
Plus Entertainment expense not deductible	8	415	6	336
Tax effect of other permanent difference	39	(291)	(9)	(235)
Total tax expense	<u>134</u>	<u>522</u>	<u>76</u>	<u>445</u>
Comprising:				
Current Tax	134	522	76	445
Deferred Tax	-	-	-	-
	<u>134</u>	<u>522</u>	<u>76</u>	<u>445</u>

(b) Current tax

Opening balance – payable	194	177	150	141
Tax on current year profit	134	522	76	445
Less provisional tax and RWT paid	<u>(310)</u>	<u>(505)</u>	<u>(190)</u>	<u>(436)</u>
Closing balance – payable	<u>18</u>	<u>194</u>	<u>37</u>	<u>150</u>

(c) Imputation Credit Account

At balance date imputation credits available to the shareholders were:

Opening balance	2,122	1,617	1,406	970
Payments/(Refunds) to Inland Revenue Department	60	505	(9)	436
Closing balance	<u>2,182</u>	<u>2,122</u>	<u>1,397</u>	<u>1,406</u>

7. CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Cash at Bank	1,084	153	288	-
Cash at Bank (Overdraft)	<u>(8)</u>	<u>(2,503)</u>	<u>(8)</u>	<u>(2,503)</u>

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

	<u>1,077</u>	<u>(2,350)</u>	<u>280</u>	<u>(2,503)</u>
8. ACCOUNTS RECEIVABLE	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Trade Debtors	6,723	4,803	3,624	3,004
Prepayments	1,139	-	551	-
Owing by Subsidiary Company	-	-	4,285	3,979
	<u>7,863</u>	<u>4,803</u>	<u>8,460</u>	<u>6,983</u>

9. INVENTORIES	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Stock on Hand	11,699	8,711	7,679	6,015
	<u>11,699</u>	<u>8,711</u>	<u>7,679</u>	<u>6,015</u>

Inventories are finished goods on hand at balance date and comprise pharmaceutical supplies at cost.

10. PLANT & EQUIPMENT

(a) Cost and Book Value

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Plant and Machinery	503	487	415	396
Plus Additions	90	79	74	79
Less Disposals	-	(60)	-	(60)
Less Accumulated Depreciation	<u>(446)</u>	<u>(380)</u>	<u>(385)</u>	<u>(325)</u>
	<u>148</u>	<u>126</u>	<u>104</u>	<u>90</u>
Furniture and Fixtures	315	133	315	133
Plus Additions	30	187	30	187
Less Disposals	-	(5)	-	(5)
Less Accumulated Depreciation	<u>(113)</u>	<u>(80)</u>	<u>(113)</u>	<u>(80)</u>
	<u>232</u>	<u>235</u>	<u>232</u>	<u>235</u>
Vehicles	303	283	303	283
Plus Additions	-	157	-	157
Less Disposals	-	(137)	-	(137)
Less Accumulated Depreciation	<u>(198)</u>	<u>(152)</u>	<u>(198)</u>	<u>(152)</u>
	<u>105</u>	<u>151</u>	<u>105</u>	<u>151</u>
Total Plant and Equipment	<u>485</u>	<u>512</u>	<u>441</u>	<u>476</u>

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

10. PLANT & EQUIPMENT (Continued)

(b) Depreciation Charge

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Plant and Machinery	68	78	61	68
Furniture and Fixtures	32	30	32	30
Vehicles	46	38	46	38
	<u>146</u>	<u>146</u>	<u>139</u>	<u>136</u>

11. INTANGIBLE ASSETS

(a) Trademarks

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
At cost	128	94	128	94
Plus Additions	37	34	37	34
	<u>165</u>	<u>128</u>	<u>165</u>	<u>128</u>

Trademarks that do not have a finite life have not been amortised. Trademarks that no longer have a value or generate revenue are written off.

(b) Patents

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
At cost	675	513	675	513
Plus Additions	330	162	330	162
Less Accumulated Amortisation	(111)	(72)	(111)	(72)
	<u>894</u>	<u>603</u>	<u>894</u>	<u>603</u>
Total Intangible Assets	<u>1,059</u>	<u>731</u>	<u>1,059</u>	<u>731</u>

Patents are amortised over their lifetime.

(c) Amortisation Charge

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Patents	39	30	39	30
	<u>39</u>	<u>30</u>	<u>39</u>	<u>30</u>

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

12. INVESTMENT/LOAN IN SUBSIDIARY COMPANIES

The consolidated financial statements incorporate the assets, liabilities and results of AFT Pharmaceuticals Pty Limited. The principal activity of the subsidiary is a pharmaceutical distributor operating in Australia and has a 31 March 2013 balance date. The holding at 31 March 2013 is 100% (2012 100%).

The investment held in AFT Pharmaceuticals Limited is 1,000 ordinary shares at Aus\$1 each.

During the year NZ\$4,000,000 of trade receivables were recognised as a long term commitment of the parent and converted to an intercompany loan.

The consolidated financial statements incorporate the assets, liabilities and results of AFT Pharmaceuticals (SE Asia) SDN BHD. The subsidiary was established on 30 September 2011. The principal activity of the subsidiary is the registration of pharmaceutical's in Malaysia and has a 31 March 2013 balance date. The holding at 31 March 2013 is 100%.

The investment held in AFT Pharmaceuticals Limited is 2 ordinary shares at RM1 each.

The consolidated financial statements incorporate the assets, liabilities and results of AFT Pharmaceuticals Singapore PTE LTD. The subsidiary was established on 10 September 2012. The principal activity of the subsidiary is the registration of pharmaceutical's in Singapore and has a 31 March 2013 balance date. The holding at 31 March 2013 is 100%.

The investment held in AFT Pharmaceuticals Limited is 100 ordinary shares at SG\$1 each.

13. ACCOUNTS PAYABLE

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Trade Payables	4,619	2,224	4,263	2,648
Employee entitlements	207	244	170	194
Accrued expenses	409	764	536	287
Owing to Subsidiary Company	-	-	467	-
	<u>5,235</u>	<u>3,232</u>	<u>5,436</u>	<u>3,129</u>

14. INTEREST BEARING LIABILITIES

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Current				
BNZ Term Loans	-	4,646	-	4,646
	<u>-</u>	<u>4,646</u>	<u>-</u>	<u>4,646</u>
Non-Current				
BNZ Term Loans	12,535	-	12,535	-
	<u>12,535</u>	<u>4,646</u>	<u>12,535</u>	<u>4,646</u>

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

14. INTEREST BEARING LIABILITIES (Continued)

The BNZ bank loans and facility of the parent and subsidiary are secured by the assets of the Company, a guarantee from the H&M Atkinson Family Trust and by a mortgage over property of the H&M Atkinson Family Trust. Interest rates range from 5.49% to 6.35 % per annum. The loans are repayable in December 2015.

There are two financial covenants. The first requires the borrower to maintain consolidated interest coverage at 1.75 times. The second requires that the debt not secured by mortgage does not exceed the total of 75% of New Zealand debtors, 50% of Australian debtors and 50% of total inventory.

The Company and Group are required to comply with the capital requirements imposed by the bank. During 2013 and 2012 they complied with all such requirements.

15. CAPITAL

	Consolidated and Parent	
	2013	2012
	\$'000	\$'000
Issued Capital		
Opening balance – 1,000 Ordinary Shares fully paid	41	41
Closing balance – 1,000 Ordinary Shares fully paid	41	41

All shares are owned by Atkinson Family Trust.

The par value of shares is \$1. All shareholders have equal voting rights.

16. FOREIGN EXCHANGE TRANSLATION RESERVE

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Opening Balance	4	4	-	-
Closing Balance	4	4	-	-

17. RETAINED EARNINGS

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Opening Balance	4,111	3,285	3,648	2,865
Profit for the Year	172	897	206	783
Foreign Exchange Translation Differences	10	(71)	-	-
Closing Balance	4,294	4,111	3,855	3,649

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

18. RECONCILIATION OF PROFIT AFTER TAX WITH NET CASHFLOWS FROM OPERATIONS

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Profit after Tax	172	897	206	784
Non Cash Items				
Depreciation	146	146	139	136
Amortisation	39	30	39	30
	<u>357</u>	<u>1,073</u>	<u>384</u>	<u>950</u>
Movements in Working Capital Items:				
(Increase)/Decrease in Accounts Receivable	(2,873)	(109)	(1,010)	(1,505)
(Increase)/Decrease in Stock on Hand	(2,988)	(2,684)	(1,664)	(1,716)
(Increase)/Decrease in Prepayments	18	224	10	195
Increase/(Decrease) in Accounts Payable	1,815	1,002	1,834	1,357
Increase/(Decrease) in Interco Account Payable	-	-	(4,000)	-
Increase/(Decrease) in Income Tax Payable	(249)	17	(225)	10
Increase/(Decrease) GST Payable	(50)	(23)	40	(121)
Net Cash Inflow/(Outflow) from Operating Activities	<u>(3,970)</u>	<u>(500)</u>	<u>(4,630)</u>	<u>(830)</u>

19. RELATED PARTIES

(a) Shareholder

Transactions with the shareholder arise from dividends paid and drawings. Transactions were as follows:-

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Opening balance (net asset)	-	263	-	263
Dividends paid to shareholder	-	-	-	-
Drawings	-	-	-	-
Interest payable by shareholder	-	(263)	-	(263)
Closing Balance - liability /(asset)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Related Entities

AFT Pharmaceuticals Limited traded on normal arm's length basis with this company.

	Sales		Expenses		Accounts Receivable		Accounts Payable	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
AFT Pharmaceuticals Pty Limited (Subsidiary)	8,754	6,649	438	328	4,005	4,494	401	-

Dr H Atkinson is a director in the above Company.

A management fee of \$454,000 (2012 \$490,000) is charged by the Company to the subsidiary.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

19. RELATED PARTIES (Continued)

(c) Remuneration

The payment of key management remuneration was \$370,000 for the year ended 31 March 2013 (2012, \$260,000).

The spouse of the director is employed as an administrator at the company. Her remuneration was \$83,000 for the year ended 31 March 2013 (2012, \$60,000). This payment is based on a normal arm's length basis.

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 Company's and 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 securities are bought, sold or traded	Nil

- **Foreign Exchange risk**

A 1% increase or decrease in foreign exchange rates on assets and liabilities will reduce/increase equity by \$6,000. There will be no effect on profit because differences in translation go directly to the reserve which is a component of equity.

- **Interest rate risk**

A 1% increase or decrease in interest rates on borrowings will reduce/increase the profit reported by \$55,000 and reduce/increase equity by the same amount.

- **Credit risk**

Financial instruments which potentially subject the Company and Group to credit risk principally consist of accounts receivable advances to shareholders. In the normal course of business the Company and Group incurs credit risk from trade receivables. Regular monitoring of receivables is undertaken to ensure that the credit exposure remains within the Company's and Group's normal terms of trade.

There are no significant concentrations of credit risk at 31 March 2013 with the largest debtor (excluding transactions with the subsidiary) being \$1,255,010 (2012 \$1,039,545). There are no past due receivables at 31 March 2013 (2012 Nil). There are no impaired receivables at 31 March 2013 (2012 Nil).

- **Liquidity**

Liquidity risk is the risk that the Company and 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. All liabilities (except amounts owing to shareholders which are not expected to be repaid before 31 March 2013 and the Bank borrowings) are due for repayment within 0-3 months. The liquidity/maturity profile of the liabilities is as follows:

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

20. FINANCIAL RISK MANAGEMENT (Continued)

• Liquidity (Continued)

2013

Liquidity profile							
Group	On demand	Due 0-1 month	Due 1-6 month	Due 6-12 month	Due 1-2 Years	Due 2-5 Years	GROUP Total
Accounts Payable	-	2,400	6,341	-	-	-	8,741
GST Payable	-	129	-	-	-	-	129
Income Tax payable	-	18	-	-	-	-	18
Bank Borrowing	-	-	-	-	-	12,535	12,535
	-	2,547	6,341	-	-	12,535	21,423

2012

Liquidity profile							
Group	On demand	Due 0-1 month	Due 1-6 month	Due 6-12 month	Due 1-2 Years	Due 2-5 Years	GROUP Total
Accounts Payable	-	2,262	970	-	-	-	3,232
GST Payable	-	179	-	-	-	-	179
Bank Overdraft (net)	2,503	-	-	-	-	-	2,503
Income Tax payable	-	194	-	-	-	-	4,840
Bank Borrowing	4,646	-	-	-	-	-	-
	7,149	2,635	970	-	-	-	10,754

2013

Liquidity profile							
PARENT	On demand	Due 0-1 month	Due 1-6 month	Due 6-12 month	Due 1-2 Years	Due 2-5 Years	PARENT Total
Accounts Payable	-	1,553	2,826	-	-	-	4,379
GST Payable	-	128	-	-	-	-	128
Income Tax payable	-	37	-	-	-	-	37
Bank Borrowing	-	-	-	-	-	12,535	12,535
	-	1,718	2,826	-	-	12,535	17,079

2012

Liquidity profile							
PARENT	On demand	Due 0-1 month	Due 1-6 month	Due 6-12 month	Due 1-2 Years	Due 2-5 Years	PARENT Total
Accounts Payable	-	2,190	939	-	-	-	3,129
GST Payable	-	89	-	-	-	-	89
Bank Overdraft (net)	2,503	-	-	-	-	-	2,503
Income Tax payable	-	151	-	-	-	-	151
Bank Borrowing	4,646	-	-	-	-	-	4,646
	7,149	2,430	939	-	-	-	10,518

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

20. FINANCIAL RISK MANAGEMENT (Continued)

(b) Fair Values

The fair value of assets and liabilities equate to their book values. The fair value of borrowings, based on interest rates prevailing at balance date is also not significantly different to the \$5,534,000 carrying value at 31 March 2013 as the impact of discounting is not significant.

(c) Unrecognised Financial Instruments

There are no unrecognised financial instruments at 31 March 2013 (2012 Nil).

21. SEGMENT REPORTING

The Company distributes pharmaceutical products in New Zealand and Australia.

22. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities at 31 March 2013 (2012 Nil).

23. COMMITMENTS

(a) Capital Commitments

The Company has no capital commitments at 31 March 2013 (2012 Nil)

(b) Lease Commitments

The Group leases the business premises for \$158,000 plus GST per annum for the first 2 years and \$271,000 for the following 2 years, for an initial term of four years, with Rights of Renewal in four years and a Final Expiry Date of 17 April 2021.

	Consolidated		Parent	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Due within one year	501	256	303	158
Later than 1 year but no later than 5 years	418	733	275	542
Later than 5 years	-	-	-	-
	<u>918</u>	<u>989</u>	<u>578</u>	<u>700</u>

24. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are:

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

There are two financial covenants. The first requires the borrower to maintain consolidated interest coverage at 1.75 times. The second requires that the debt not secured by mortgage does not exceed the total of 75% of New Zealand debtors, 50% of Australian debtors and 50% of total inventory.

AFT PHARMACEUTICALS LIMITED

Notes to the Financial Statements For the Year Ended 31 March 2013

24. MANAGEMENT OF CAPITAL (Continued)

The Company and Group are required to comply with the capital requirements imposed by the bank. During 2013 and 2012 they complied with all such requirements.

The BNZ loans and facility are secured by the assets of the Company and its subsidiary, AFT Pharmaceuticals Pty Ltd, a mortgage of a property of the H&M Atkinson Family Trust. The BNZ loans are repayable in 3 years.

There have been no breaches during the 2013 and 2012 financial year. The Company will monitor these ratios and are in regular communication with the lender in accordance with the terms of the loan. It is expected that no covenants will be in breach and that the availability of the loan will remain.



Independent Auditors' Report to the shareholder of AFT Pharmaceuticals Limited

Report on the Financial Statements

We have audited the financial statements of AFT Pharmaceuticals Limited on pages 4 to 23, which comprise the balance sheets as at 31 March 2013, the statements of comprehensive income, statements of changes in equity and statements 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 both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 March 2013 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate 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) and International Standards on Auditing. 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 and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, 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 and the Group'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.

Other than in our capacity as auditors we have no relationship with, or interests in, AFT Pharmaceuticals Limited or its subsidiaries.



Independent Auditors' Report

AFT Pharmaceuticals Limited

Opinion

In our opinion, the financial statements on pages 4 to 23:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2013, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2013:

- (i) we have obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company and the Group as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholder, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholder those matters which we are required to state to the shareholder 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 shareholder, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
21 August 2013

Dunedin