2024 INTERIM REPORT

Results for the half year to 30 September 2023

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 2023 and should be read in conjunction with the company's financial statements on pages 15 to 36 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.

Strong growth continues across global operation

1H FY2024 Financial Highlights

$83.6 million

Total operating revenue up 27% on the prior first half lifted by strong product sales and royalties across all channels and $2 million of licensing income.

$3.3 million

Operating profit down 6% following ongoing investment in new products, research and development.

$1.8 million

Net profit after tax rises 17%.

$30.6 million

In line with net debt of $29.9 million in March 2023 year end, with investments for growth funded through strong operating cash flows.

Growth investments deliver

1H FY2024 Operating Highlights

AUSTRALIA

Revenue: $42.7 million, UP 18%

Operating profit: $0.5 million

Key drivers:

Organic and new product growth, led by the OTC channel

Operating profit reflects investments for growth

NEW ZEALAND

Revenue: $22.7 million UP 7%

Operating profit: $2.6 million[1]

Key drivers:

Growth led by the hospital channel.

All channels benefit from organic and new product growth

ASIA

Revenue: $5.4 million UP 50%

Operating profit: $1.6 million

Key drivers:

Growth led by Maxigesic IV in the hospital channel

Online via T-Mall supportive

INTERNATIONAL

Revenue: $12.8 million UP 172%

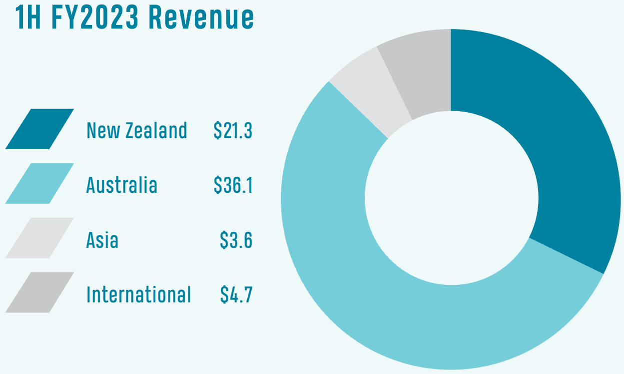
Operating profit: $3.1 million

Key drivers:

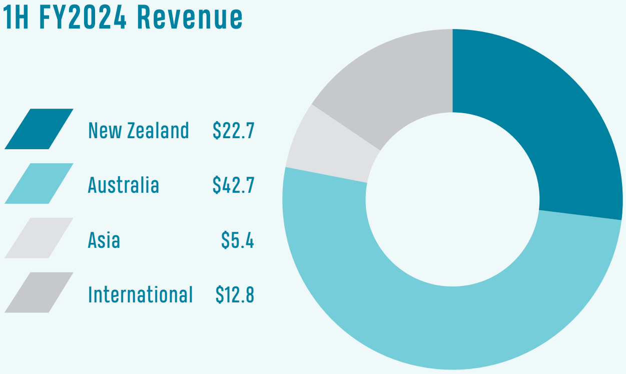
Maxigesic drives strong product and royalty income

$2 million of licensing payments as sales grow.

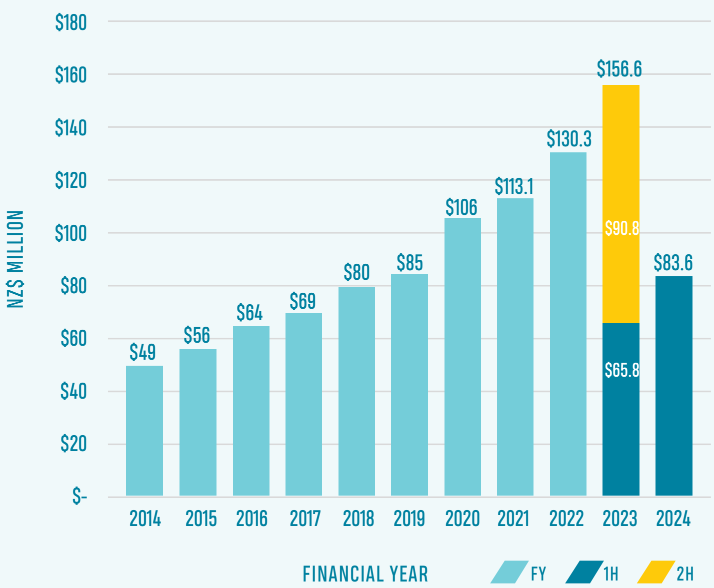
1H FY2023 Revenue



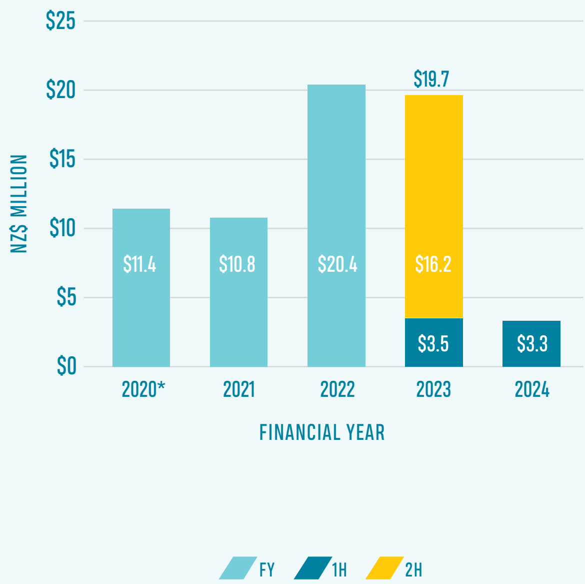
1H FY2024 Revenue



Revenue



Operating Profit



1 Excludes head office operating expenses.

* FY 2020 normalised for a non-cash gain on asset revaluation

Growth consistent at home and accelerates abroad

Dear shareholders,

AFT has delivered another strong half year. The company has significantly extended its presence in international markets, while continuing to build on its strong record of consistent growth in its home markets of Australia and New Zealand.

With the US FDA approving for sale intravenous and rapid dissolving dose forms of our patented Maxigesic pain relief medicine this year, we are well positioned to establish a presence in the world's largest healthcare market and a truly global footprint.

We are particularly pleased with the success of our International and Asian businesses, where the barriers present during the pandemic have receded. Our Asian business' operating revenue grew by 50% supported by the strong uptake for the intravenous form of our Maxigesic pain relief medicine. It was also supported by growing demand for our portfolio of over-the-counter medicines through our China-focused Cross Border E-Commerce (CBEC) sites.

Pleasingly, as announced earlier this month, we have also secured approval for the sale of our Crystaderm antiseptic cream in China. We believe the local sales channels in China offer more potential than the CBEC channel.

We are seeing the expected momentum in our international business amid growing demand for the Maxigesic family of medicines across a range of markets. We have also significantly extended our growth plans with the establishment of sales hubs in Singapore and Hong Kong and our 70%-owned AFT Pharmaceuticals UK business, which is now in the midst of its first product launches.

Growth has been supported with ongoing investment in product marketing. This investment has resulted in what we see as a temporary dilution in operating profits. However, we believe these will normalise as the brands grow in strength.

Financial Results

Revenue from the sale of existing products, new products and product royalties grew by 24% to $82 million from $66 million, with the company's family of Maxigesic pain relief medicines and the Australian OTC business making the strongest contribution. Total revenue, which includes licensing income of $2.0 million, rose 27% to $84 million from $66 million.

Operating profit of $3.3 million was marginally down from $3.5 million, with investments in new products, and research and development (R&D) and marketing investment in new products in Australasia offsetting the impact of increased revenue. The investment, which is planned to reduce in intensity in the second half of the year, is consistent with AFT's growth objectives and its opportunistic move to increase its R&D pipeline to take advantage of new projects now being available at attractive economics. EBITDA* of $4.1 million was 8% lower than the prior half year period's $4.5 million, while net profit after tax increased 17% to $1.8 million from $1.5 million.

Maxigesic Commercialisation

AFT is determined to offer the world's largest range of combination paracetamol and ibuprofen products globally to maximise the potential of our intellectual property and the value of our brands. We have a strong program of innovation and development to achieve that goal.

Maxigesic is now sold or ordered in 66 countries up from 61 in March 2023 and 51 countries at the same time a year ago, with several launches planned in the remaining four months of the financial year. The tablet and intravenous dose forms are becoming well established in several major markets, and we are seeing momentum building especially in markets such as Italy and Germany where the product has been available for some time.

**EBITDA is a non-GAAP measure of financial performance. It is defined and reconciled to AFT's standard measure prepared under New Zealand GAAP of net profit after tax on page 14 of this report.*

David Flacks, Chairman

Dr Hartley Atkinson, Co-Founder and Managing Director

"Our goal of $200 million in annual revenue on a moving annual total is in sight."

We have also been impressed with the traction the intravenous form has gained in new markets such as Korea. It is important to appreciate that in-market growth is expected to continue over a number of years, and it will be augmented by additional launches.

The global roll out of the oral liquid, hot drink sachet, and Maxigesic Rapid forms is now underway. We are meanwhile completing development for additional dose forms such as the Maxigesic dry stick sachet and additional variants are also under investigation.

Following the US FDA approval for sale of Maxigesic IV in October, our US licensee Hikma Pharmaceuticals is targeting launch towards the end of this financial year or the start of the new financial year. The launch of the medicine will trigger the payment of a US$6 million milestone license fee to be shared 65:35 with our Maxigesic IV development partner Hyloris Pharmaceuticals. AFT continues to finalise strategies for the US commercialisation of Maxigesic Rapid, and advance plans for its launch in other markets.

Research and Development

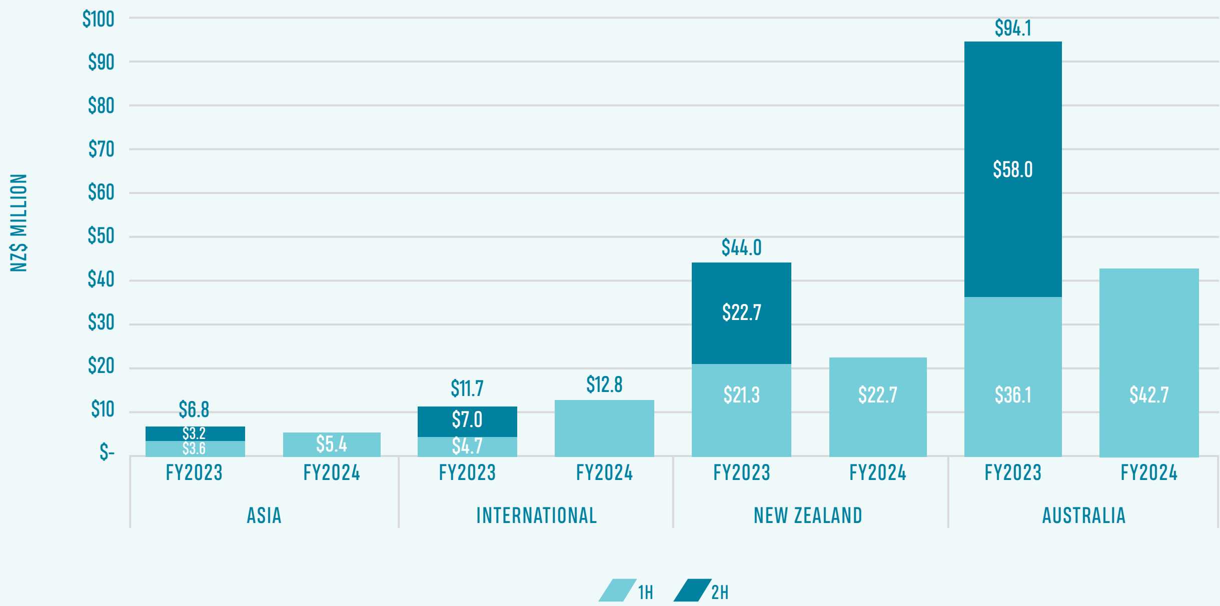
Research and development expenditure in the half year period has increased to $7 million. Recent additions to our pipeline include an eyedrop targeting antibiotic resistant infections and our project to develop a topical treatment for strawberry birthmarks.

Our gastroenterology and dermatology development projects (projects KW, BT, and SD) are proceeding broadly in line with our expectations. We are presently undertaking a pilot dermatology study in Europe and completing additional development work on our NasoSURF drug delivery system.

As signalled at the company's annual meeting in August we are looking to extend our product development pipeline with two projects currently under consideration.

AFT will meanwhile commence studies to demonstrate the safety and efficacy of Maxigesic in children with a program of clinical studies that will continue through to 2026. These studies will be accommodated within the existing research and development budget.

Revenue by Region



Balance Sheet

AFT remains well funded. Net debt at the end of the half year was $30.6 million largely in line with the $29.9 million at the end of March 2023 and the $29.4 million at the same time a year ago. The company has deliberately invested for growth and maintained inventory at elevated levels as a buffer against disruptions in global supply chains. We have started to reduce inventory stock cover as global logistics have significantly improved. However, given the length of product lead-times this will still take some time to execute. Expected licensing payments, regulatory fee reimbursements and inventory cover reduction in the coming months will flow through into a reduction of debt towards our target of one-times EBITDA.

Governance and Sustainability

We were delighted at the end of September to welcome Andrew Lane as a new Independent Non-Executive Director, who replaced long-serving Independent Non-Executive Director Jon Lamb.

Andrew has more than 30 years' experience of leadership in the global pharmaceuticals industry with expertise across a broad range of disciplines and is well positioned to assist the company as we grow and consolidate our position in Australasia and build our presence internationally. On behalf of shareholders we meanwhile thank Jon for his contribution over his 11 years on the Board and we wish him well for his retirement.

We are continuing to advance our sustainability agenda. A key focus is the measurement of the company's carbon footprint and the refinement of strategies to minimise our environmental footprint. We are making good progress and will be in a position to meet our obligations to report against the new Aotearoa New Zealand Climate Standards (NZ CS 1) for the current financial year.

Outlook

We are expecting growth for the year to the end of March 2024 to continue in the second half. The ongoing roll out of Maxigesic and its line extensions and the launch of new products in Australasia, coupled with increasing rates of growth in other markets around the world, position the company well for the remainder of the financial year and beyond.

Our goal of $200 million in annual revenue on a moving annual total is in sight. We continue to target operating profit to range between $22 million to $24 million. As we highlighted in August, however, this guidance is subject to the company determining its strategy to commercialise Maxigesic Rapid in the US.

Finally, Directors continue to expect to declare a dividend for the full year.

On behalf of shareholders we thank Directors and the broader AFT team for their commitment and dedication to the company. We wish you all well for the festive season and look forward to providing an update on our progress in the New Year.

David Flacks
Chair

Dr Hartley Atkinson
Managing Director

AFT's operations globally are expanding in scale and scope

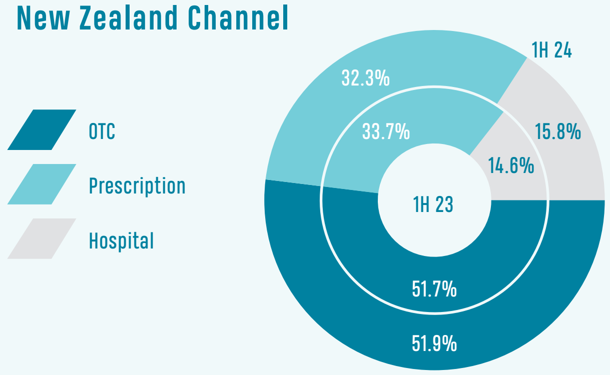
NEW ZEALAND – GROWTH LED BY THE HOSPITAL CHANNEL

NEW ZEALAND SNAPSHOT

REVENUE	PRODUCTS
$22.7m	150+
UP 7% ON THE PRIOR YEAR	across seven therapeutic categories: pain, eyecare, medicated vitamins, allergy, gastrointestinal health, dermatology, and hospital

DISTRIBUTION **900** PHARMACIES

New Zealand Channel



New Zealand revenue is up 7% to $22.7 million from $21.3 million. Growth was led by the hospital channel, where revenue grew by 15% to $3.6 million. The prescription and OTC channels grew by 2% and 7% respectively.

In all three channels growth was led by demand for the company's existing products, although new products also assisted.

Again, the easing of the pandemic saw reduced demand for cold and flu medicines and vitamins. Operating profit was $2.6 million compared to $4.9 million[2] at the same time a year ago.

In part, as with Australia this reflects the increased marketing spend associated with product launches. In addition margins eased largely reflecting a bigger contribution from the lower-margin hospital business.

2 Excludes head office operating expenses

AUSTRALIA – STRONG DEMAND ACROSS ALL CATEGORIES

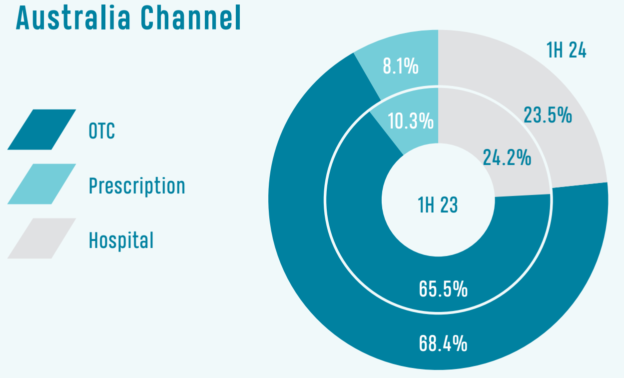
AUSTRALIA SNAPSHOT

REVENUE
$42.7m
UP 18%
ON THE PRIOR YEAR

PRODUCTS
85+
ACROSS SEVEN THERAPEUTIC CATEGORIES

DISTRIBUTION 6,800 PHARMACIES

Australia Channel



Revenue in Australia grew 18% led by a mixture of organic and new product growth to $43 million from $36 million.

Australian operating profit was down to $0.5 million from $3.1 million. The result in part reflects the increased marketing spend associated with product launches although it is important to note that this investment is skewed toward the first half of the financial year.

Growth in the OTC channel was strongest at 24% with the company seeing good demand across all its seven therapeutic categories, although the easing of pandemic pressures and public concern about the virus saw an associated reduction in demand for cold and flu medicines and supplements such as liposomal vitamins.

The hospital channel and prescription channels grew by 9%.

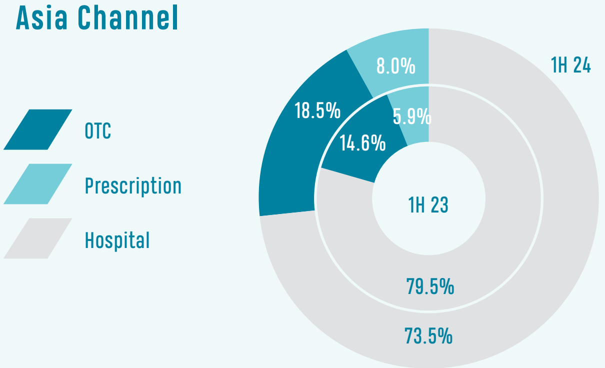
We have meanwhile expanded the product launch pipeline by 5 to 73 from the start of the current financial year to the end of the 2026 financial year.

ASIA – MAXIGESIC IV DRIVING GROWTH

ASIA SNAPSHOT

REVENUE	DISTRIBUTION
$5.4m UP 50% ON THE PRIOR YEAR	DISTRIBUTORS AND ONLINE

Asia Channel



Asian revenue grew by 50% to $5.4 million from $3.6 million. Operating profit rose to $1.6 million from $0.5 million.

Growth was driven primarily by the hospital channel with the largest contribution coming from strong demand for Maxigesic IV in the Korean market. Our Asian OTC channel also saw strong growth, although this is coming off a lower base. It follows on our successful cross border e-commerce (CBEC) initiatives.

As announced, we have also secured approval for the sale of our Crystaderm antiseptic cream in China. We believe the local sales channels in China offer considerably more potential than the CBEC channel.

INTERNATIONAL – READYING FOR US LAUNCH

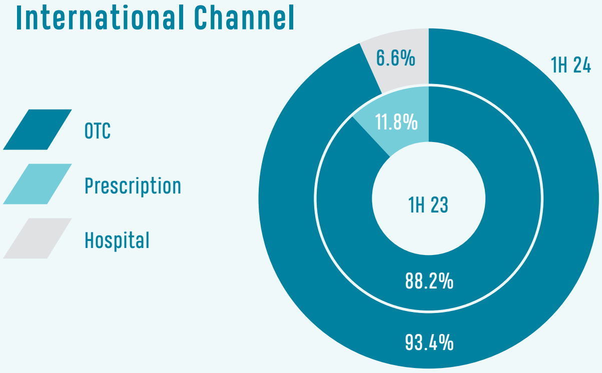
INTERNATIONAL SNAPSHOT

REVENUE
$12.8m
UP 172%
ON THE PRIOR YEAR

100+
COUNTRIES
WITH MAXIGESIC
DISTRIBUTION
AGREEMENTS

66 **COUNTRIES**
WHERE MAXIGESIC IS SOLD

International Channel



Revenue from product sales and royalties in the international business grew by 132% to $10.9 million from $4.7 million, primarily due to growing momentum in Maxigesic sales (in various dose forms).

Total international operating revenue rose 172% to $12.8 million from $4.7 million as we benefited from $2.0 million of licensing income, most of which came from a milestone payment from our licensee in Italy, the market outside Australasia in which Maxigesic has been available for the longest period of time.

Operating profit, including licensing income, grew from a loss of $0.3 million to a profit of $3.1 million.

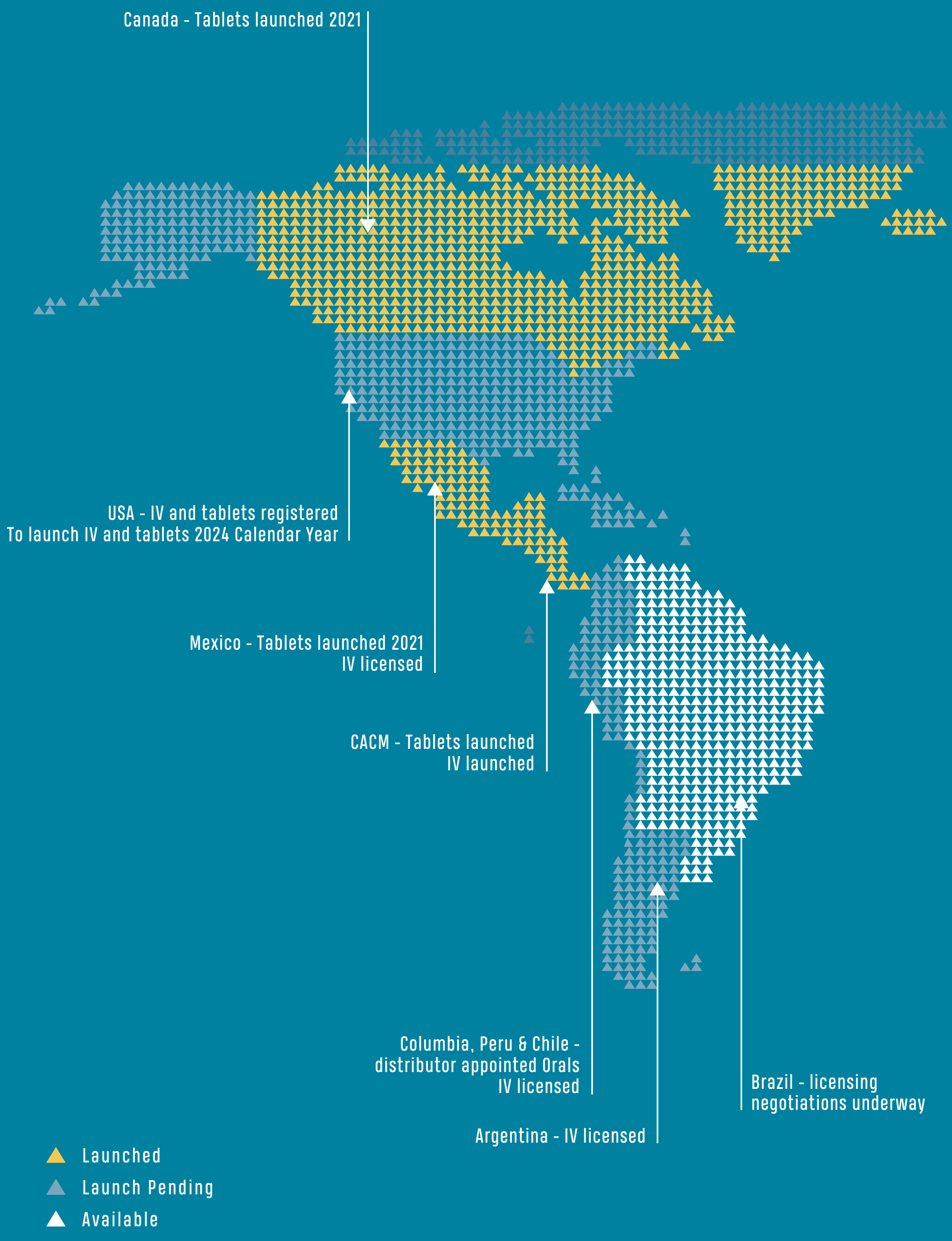
Outside of the planned US launches, we are targeting launches of Maxigesic in several dose forms in the second half of the financial year, including South Africa (IV & tablets) Belgium (Maxigesic IV & tablets).

Our new UK operation is now well established with 4 staff members and an office in Whitechapel, London and new launches are underway. The UK business has identified a total of 40 of our own and licensed products as suitable candidates for that market. Changes in the UK market will also assist speed to regulatory approval.

We are launching the local version of Maxigesic tablets, Combogesic, in the Boots network of pharmacies and we are progressing the launch of Maxigesic IV. We expect the UK operation to be loss making during its establishment phase.

A Global Footprint

Maxigesic is now available in 66 countries and will soon be launched in the US the world's largest healthcare market.




Ireland - Tablets launched
IV launched
United Kingdom - Tablets launched
IV licensed - to launch start 2024
Netherlands - IV launched
Austria - IV licensed and launched 2021
Nordics - Tablets launched
IV launched
Poland - IV and Orals licensed
Eastern Europe & Balkans - Tablets launched
Eastern Europe - IV licensed - to launch early 2024
Iraq & Kurdistan - Tablets launched
Singapore & Brunei - Tablets launched
IV launch underway
China - licensing negotiations underway
Taiwan - Tablets licensed
Korea - IV launched 2022
Oral licensed
Japan - licensing
discussions are underway
Indonesia - IV launched
NZ - Maxigesic, Maxigesic PE,
Maxigesic IV launched
Maxigesic Hot Drink
launched 2023
Pakistan -
IV registered
Russia -
on hold
Kenya -
IV launched
Mozambique -
IV launched
United Arab Emirates -
Tablets launched
Maxigesic IV launched
Oman - IV launched
Greece - Tablets launched 2021
IV licensed
Italy - Tablet sales growing
IV launched
Oral suspension launched 2023
Germany - Tablets launched 2020
IV launched
Switzerland - IV licensed
Belgium & Luxembourg - Tablets launched OTC
IV launched 2023
France - Tablets launching 2022
IV launched 2023
Spain & Portugal - Tablets launched 2019
IV licensed
Australia - No.#1 Para-Ibu Combo.
Growing market share
Maxigesic IV launched
Maxigesic Hot Drink launched 2022
Phillipines - AFT to sell post
registration via distributor
Malaysia - Tablets launched
IV registered and launching soon
Vietnam - distributor appointed for IV and Orals
Thailand - IV licensed

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	**2024 $000**	**2023 $000**
Net profit after tax attributable to owners of the parent	$1,816	$1,546
Less: Finance income	($30)	($1)
Add back: Interest costs	$1,814	$1,395
Add back: Other finance loss/(gain)	($502)	($59)
Add back: Depreciation	$457	$424
Add back: Amortisation	$391	$595
Add back: Income tax expense/(benefit)	$152	$576
EBITDA	**$4,098**	**$4,476**

AFT Pharmaceuticals Limited Condensed Consolidated Interim Financial Statements

For the Six Months Ended 30 September 2023

Financial Statements Contents

Deloitte.

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 and its subsidiaries ('the Group') which comprise the consolidated balance sheet as at 30 September 2023, the consolidated income statement, 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 a summary of significant accounting policies and other explanatory information on pages 18 to 36.

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 2023 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 Group 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

23 November 2023

Consolidated Income Statement

For the Six Months Ended 30 September 2023

	Note	Unaudited 6 Months Ended 30 Sep 2023 $'000	Restated Unaudited 6 Months Ended 30 Sep 2022 $'000
Revenue	4	83,614	65,750
Cost of sales		(47,678)	(37,071)
Gross profit		**35,936**	**28,679**
Other Income		85	-
Selling and distribution expenses		(23,797)	(17,312)
General and administrative expenses		(5,468)	(5,127)
Research and development expenses		(3,506)	(2,783)
Operating profit		**3,250**	**3,457**
Finance income		30	1
Interest costs		(1,814)	(1,395)
Other finance gain		502	59
Profit before tax		**1,968**	**2,122**
Income tax expense		(152)	(576)
Profit after tax attributable to owners of the parent		**1,816**	**1,546**
Earnings per share			
Basic and diluted earnings per share ($)		$0.02	$0.01

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 2023

	Note	Unaudited 6 Months Ended 30 Sep 2023 $'000	Restated Unaudited 6 Months Ended 30 Sep 2022 $'000
Profit after tax		**1,816**	**1,546**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Foreign exchange difference on translation of foreign operations		(59)	(283)
Other comprehensive loss for the year, net of tax		**(59)**	**(283)**
Total comprehensive income		**1,757**	**1,263**

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 2023

	Note	Share capital $'000	Share options reserve $'000	Foreign currency translation reserve $'000	Restated Retained earnings $'000	Total equity $'000
Balance 31 March 2022		**77,606**	**160**	**394**	**(15,897)**	**62,263**
Unaudited (Restated)						
Six months to 30 September 2022						
Profit after tax		-	-	-	1,546	1,546
Other comprehensive income		-	-	(283)	-	(283)
Total comprehensive income		**-**	**-**	**(283)**	**1,546**	**1,263**
Issue of share capital	8	634	(161)	-	-	473
Movement in share options reserve		-	1	-	34	35
Balance 30 September 2022		**78,240**	**-**	**111**	**(14,317)**	**64,034**
Audited						
Year ended 31 March 2023						
Profit after tax		-	-	-	10,699	10,699
Other comprehensive income		-	-	(168)	-	(168)
Total comprehensive income		**-**	**-**	**(168)**	**10,699**	**10,531**
Issue of share capital	8	634	(161)	-	-	473
Movement in share options reserve		-	1	-	-	1
Balance 31 March 2023		**78,240**	**-**	**226**	**(5,198)**	**73,268**
Unaudited						
Six months to 30 September 2023						
Profit after tax		-	-	-	1,816	1,816
Other comprehensive income		-	-	(59)	-	(59)
Total comprehensive income		**-**	**-**	**(59)**	**1,816**	**1,757**
Issue of share capital		-	-	-	-	-
Movement in share options reserve		-	35	-	-	35
Dividends paid		-	-	-	(1,154)	(1,154)
Balance 30 September 2023		**78,240**	**35**	**167**	**(4,536)**	**73,906**

The accompanying Notes form an integral part of the condensed consolidated interim financial statements.

Consolidated Balance Sheet

As at 30 September 2023

	Note	Unaudited as at 30 Sep 2023 $'000	Audited as at 31 Mar 2023 $'000	Restated Unaudited as at 30 Sep 2022 $'000
ASSETS				
Current assets				
Inventories		54,648	42,397	39,707
Trade and other receivables		33,411	46,718	28,180
Cash and cash equivalents		6,172	4,749	8,795
Derivative assets	12	893	736	471
Total current assets		**95,124**	**94,600**	**77,153**
Non-current assets				
Property, plant and equipment		433	450	518
Intangible assets		49,717	45,627	42,236
Right of use assets		3,665	2,915	2,641
Deferred income tax assets		9,933	4,471	8,345
Total non-current assets		**63,748**	**53,463**	**53,740**
Total assets		**158,872**	**148,063**	**130,893**
LIABILITIES				
Current liabilities				
Trade and other payables		32,151	31,658	20,771
Provisions		6,540	4,147	2,806
Lease liabilities	7	748	571	514
Current income tax liability		5,321	834	1,295
Derivative liabilities	12	-	107	681
Interest bearing liabilities	7	3,585	2,458	33,200
Total current liabilities		**48,345**	**39,775**	**59,267**
Non-current liabilities				
Lease liabilities	7	3,421	2,820	2,592
Interest bearing liabilities	7	33,200	32,200	5,000
Total non-current liabilities		**36,621**	**35,020**	**7,592**
Total liabilities		**84,966**	**74,795**	**66,859**
EQUITY				
Share capital	8	78,240	78,240	78,240
Retained earnings/(losses)		(4,536)	(5,198)	(14,317)
Share options reserve	8	35	-	-
Foreign currency translation reserve		167	226	111
Total equity		**73,906**	**73,268**	**64,034**
Total liabilities and equity		**158,872**	**148,063**	**130,893**

The accompanying Notes form an integral part of the condensed consolidated interim financial statements.

On behalf of the Board on 23 November 2023

David Flacks
Chair

Dr Hartley Atkinson
Founder and Chief Executive Officer

Consolidated Statement of Cash Flows

For the Six Months Ended 30 September 2023

	Unaudited 6 Months Ended 30 Sep 2023 $'000	Unaudited 6 Months Ended 30 Sep 2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	102,317	74,081
Payments to suppliers and employees	(93,722)	(67,850)
Tax paid	(1,127)	(249)
Net cash generated from operating activities	**7,468**	**5,982**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(76)	(115)
Purchase of intangible assets	(4,769)	(4,738)
Net cash used in investing activities	**(4,845)**	**(4,853)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	473
Dividends paid	(1,154)	-
Payment for lease liabilities	(331)	(302)
New borrowings	-	-
Borrowings repaid	-	(2,000)
Interest received	30	1
Interest paid on lease liabilities	(145)	(116)
Interest costs paid on borrowings	(1,669)	(1,104)
Net cash used in financing activities	**(3,269)**	**(3,048)**
Net increase/(decrease) in cash	(646)	(1,919)
Impact of foreign exchange on cash and cash equivalents	(58)	(226)
Opening cash and cash equivalents	3,291	7,940
Closing cash and cash equivalents	**2,587**	**5,795**
Made up of:		
Cash and cash equivalents	6,172	8,795
BNZ overdraft	(3,585)	(3,000)
	2,587	**5,795**

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

For the Six Months Ended 30 September 2023

	Unaudited 6 Months Ended 30 Sep 2023 $'000	Restated 6 Months Ended 30 Sep 2022 $'000
Profit after tax	**1,816**	**1,546**
Non-cash items and items classified as financing activities		
Depreciation	93	80
Depreciation ROU assets	364	344
Amortisation	391	595
Impact of foreign exchange on cash and cash equivalents	-	(51)
Interest on lease liabilities	145	116
Interest and finance expense	1,669	1,104
Unrealised (gain)/loss on foreign currency movements	(239)	(165)
Provision for tax expense	(975)	576
Interest received	(30)	-
Intangible asset disposals	292	-
Movement in working capital		
(Increase)/decrease in inventories	(12,251)	(6,207)
(Increase)/decrease in trade and other receivables	13,307	7,450
Increase/(decrease) in trade and other payables, provisions	2,886	594
Net cash generated from operating activities	**7,468**	**5,982**

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 2023

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 an 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 23 November 2023 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 2023 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.

These 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 2023, which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting 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 2023, 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:

- 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 equity.

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.

Significant 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 2023. 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 condensed consolidated interim 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.

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.

Comparative information

In some cases comparative information has been restated to confirm to this years presentation

Prior period restatements

The group company in New Zealand sells inventory to another group company in Australia. In preparing the consolidated financial statements, the Group eliminates any unrealised profit relating to intragroup sales where the inventory is still held by the Group at balance date. Where the New Zealand company has recorded a current tax liability in relation to these unrealised profits, the Group should also record a deferred tax asset for the deduction that will be received by the Group company in Australia when the inventory is sold to customers. In prior reporting periods, there was no deferred tax recognised in relation to the elimination of unrealised intragroup profits between New Zealand and Australia. The restatement resulted in the recognition of a deferred tax asset of $8,345m at 30 September 2022.

The adjustment to the consolidated financial position 30 September 2022 was as follows:

	30 September 2022	Adjustment	Restated 30 September 2022
Deferred Tax Asset	3,755	4,590	8,345
Current income tax liability	2,318	(1,023)	1,295
Retained earnings	(19,930)	5,613	(14,317)
Income tax expense	(670)	94	(576)
Profit after tax	1,452	94	1,546

Additional information relating to the restatements made for the period ending 31 March 2022 is available within published Financial Statements for the period ending 31 March 2023.

Notes to the Financial Statements (Continued)

For the Six Months Ended 30 September 2023

3. Significant Transactions and Events in the Current Period

The High Court of Auckland made judgement in late August 2023 in the case brought against the company by a former contractor to the Company, PBL Solutions Limited (PBL), in Southeast Asia.

The substance of the claim was that AFT Orphan Pharmaceuticals Limited ("AFTO" of which PBL is a 35% shareholder) rather than the Company (which owns the remaining 65%), should have had the opportunity to pursue the Pascomer drug development opportunity.

The High Court dismissed PBL's claim for a lump sum payment for an assessed present value of PBL's claimed 35% proportionate share of future profits attributable to the Pascomer opportunity.

The Court found that AFT owed PBL a fiduciary duty in the context of evaluating the Pascomer opportunity and that AFT breached that duty but had not acted dishonestly. The Court has held that PBL is entitled to an account of a 35% share of the profits which are in future made by AFT from Pascomer for orphan or orphan-like opportunities only. Any profit is to be assessed after making allowance for AFT's costs and expenses and direct labour costs in relation to development of the Pascomer opportunity and for use of AFT's proprietary Crystaderm® technology in Pascomer.

AFT is not required to account to PBL for any profit which AFT may earn from the application of Pascomer for treatment of non-orphan conditions such as Port Wine Stain (PWS).

PBL has appealed this aspect of the judgement.

The group has reviewed the possible impact on the carrying value of the Pascomer IP as detailed in the Intangible Assets note 12 of the FY2023 Financial Statements arising from this judgement. As with the FY2023 review, a 35% profit dilution as determined by the judgement together with a successful appeal by PBL for the inclusion of PWS does not show indications of impairment E.

There were no other significant transactions and events occurred during the current period.

4. Revenue from Operations

	Unaudited 6 Months Ended 30 Sep 2023 $'000	Unaudited 6 Months Ended 30 Sep 2022 $'000
Sale of goods	81,030	65,419
Royalty income	625	273
Licensing Income	1,959	58
Total revenue from operations	**83,614**	**65,750**

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.
- 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.

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.

Notes to the Financial Statements (Continued)

For the Six Months Ended 30 September 2023

6. Segment Reporting

	Operating Segments				
Unaudited 6 months to	**Australia $'000**	**New Zealand $'000**	**Asia $'000**	**Rest of World $'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	159	-	-	364
Depreciation - Other	8	85	-	-	93
Amortisation	-	390	-	-	390
Operating profit	**549**	**(2,013)**	**1,621**	**3,094**	**3,251**
Finance income	1	29	-	-	30
Interest expense - Loans	-	(1,669)	-	-	(1,669)
Interest expense - Lease liabilities	(46)	(99)	-	-	(145)
Other finance gains/(losses)	-	502	-	-	502
Profit / (loss) before tax	**504**	**(3,250)**	**1,621**	**3,094**	**1,969**
Total assets	**45,855**	**62,850**	**5**	**50,162**	**158,872**
ROU assets	1,340	2,325	-	-	3,665
Property plant and equipment	32	400	-	2	434
Pascomer IP	-	-	-	12,500	12,500
Other intangible assets	-	-	-	37,217	37,217
Total liabilities	**3,161**	**78,158**	**2,511**	**1,136**	**84,966**
Capital expenditure *	**1**	**4,847**	**-**	**12**	**4,860**

* Capital expenditure includes both intangible and tangible asset additions

	Operating Segments				
Unaudited 6 months to	**Australia $'000**	**New Zealand $'000**	**Asia $'000**	**Rest of World $'000**	**Total $'000**
30 September 2022					
Revenue - Sale of goods	36,068	21,295	3,664	4,392	65,419
Revenue - Royalties	-	-	-	273	273
Revenue - Licensing	-	-	-	58	58
Total revenue	**36,068**	**21,295**	**3,664**	**4,723**	**65,750**
Other income	-	-	-	-	-
Depreciation - ROU assets	207	137	-	-	344
Depreciation - Other	11	69	-	-	80
Amortisation	-	595	-	-	595
Operating profit	**3,101**	**142**	**532**	**(318)**	**3,457**
Finance income	-	1	-	-	1
Interest expense - Loans	-	(1,279)	-	-	(1,279)
Interest expense - Lease liabilities	(25)	(91)	-	-	(116)
Other finance gains/(losses)	(2)	61	-	-	59
Profit/(loss) before tax (restated)	**3,074**	**(1,166)**	**532**	**(318)**	**2,122**
Total assets (restated)	**41,119**	**47,525**	**4**	**42,245**	**130,893**
ROU assets	505	2,136	-	-	2,641
Property plant and equipment	51	466	1	-	518
Pascomer IP	-	-	-	12,500	12,500
Other intangible assets	-	-	-	29,736	29,736
Total liabilities (restated)	**1,970**	**62,571**	**1,882**	**436**	**66,859**
Capital expenditure *	**10**	**4,843**	**-**	**-**	**4,853**

* Capital expenditure includes both intangible and tangible asset additions.

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. 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 head office function for the Group, supplier relationships and procurement of all stock for the Group, all regulatory activity, governance, all marketing activity and all finance activity. The sales and distribution activity principally relate 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 net of rebates from a single customer of the Australian segment (being a licensed wholesaler) represents approximately NZ$6.4m (6 Months to 30 September 2022: NZ$15.9m) and from one customer of the New Zealand segment (also being a licensed wholesaler) represents approximately NZ$12.3m (6 months to 30 September 2022: NZ$10.8m) of the Group's total revenues.

Notes to the Financial Statements (Continued)

For the Six Months Ended 30 September 2023

AP

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

Other income comprises international growth grants and other income.

International growth grant

International growth grant income is recognised when eligible international growth expenses are incurred and conditions relating to the grant are satisfied.

7. Interest Bearing Liabilities

	Unaudited as at 30 Sep 2023 $'000	Audited as at 31 Mar 2023 $'000	Unaudited as at 30 Sep 2022 $'000
Current lease liabilities	748	571	514
Non-current lease liabilities	3,421	2,820	2,592
BNZ overdraft	3,585	1,458	3,000
BNZ Term loans current portion	-	1,000	30,200
BNZ Term loans non-current portion	33,200	32,200	5,000
Total	**40,954**	**38,049**	**41,306**

Opening balance of BNZ loan	33,200	37,200	37,200
BNZ loans drawn down	-	-	-
Repayment of principal	-	(4,000)	(2,000)
Closing balance	**33,200**	**33,200**	**35,200**

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

On 30 September 2023 the BNZ facility was renewed for a further three-year term through to April 2026 and on 15 September the BNZ overdraft facility was increased to $9.5million. The facilities at period end are $18.2 million term loan, $10.0 million working capital facility, $9.5 million overdraft facility and $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 2023 the Group overdraft facility was drawn down by $3,585k.

All covenants relating to the BNZ facility have been complied with for the six months ending 30 September 2023

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.

8. Share Capital

Ordinary shares are classified as equity.

	Unaudited as at 30 Sep 2023 Shares	Audited as at 31 Mar 2023 Shares	Unaudited as at 30 Sep 2023 $'000	Audited as at 31 Mar 2023 $'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 2023 Shares	Audited 12 months ended 31 Mar 2023 Shares	Unaudited 6 months ended 30 Sep 2023 $'000	Audited 12 months ended 31 Mar 2023 $'000
Share capital at beginning of the year	104,866,260	104,697,260	78,240	77,606
Issue of ordinary shares for exercised share options	-	169,000	-	634
Total	**104,866,260**	**104,866,260**	**78,240**	**78,240**

Ordinary shares

No ordinary shares were issued during the period (In the six-month period to 30 September 2022, 169,000 shares were issued as a result of staff share options being exercised)

Staff share options

A new issue of 510,000 staff share options were granted on 21 May 2023 (In the six-month period to 30 September 2022: none issued). The exercise price of $3.46 per share is the market value of the plan shares on the grant date, being the volume weighted average price per plan share calculated from trades through the NZX Main board over the five trading days before the grant date. The share options become exercisable in three separate tranches in May 2024, May 2025 and May 2026. Expiry is two years post vesting. Other than in limited circumstances options are forfeited if an employee leaves the Group before the options vest. The aggregate of the estimated values of the options granted is $35k. The inputs into the Black Scholes model are as follows

Option Vest Date	31 May 2024	31 May 2025	31 May 2026
Weighted average share price	$3.44	$3.44	$3.44
Weighted average exercise price	$3.46	$3.46	$3.46
Expected volatility	15.0%	15.0%	15.0%
Expected life	2.75 years	3.75 years	4.75 years
Risk free rate	5.87%	5.56%	5.10%
Expected dividend yield	2.61%	2.61%	2.61%

Expected volatility was determined by calculating historical volatility of the Group's share price over the previous 2 years. The expected life used in the model has been adjusted, based on managements best estimate for the effects of non-transferability, exercise restrictions and behavioural consideration.

No share options were exercisable during the current period (In the six-month period to 30 September 2022, 169,000 were exercised at an exercise price of $2.80 each raising $473k).

Only the staff share options issued during the current six-month period exist at the period end. All remaining prior period staff share options lapsed on 30 June 2022.

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 at 22 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 22 May 2023 the board approved the payment of a maiden dividend of 1.1 cents per share or approximately $1.2million. The dividend was paid 4 July 2023. No dividends were declared during the previous six-month period.

10. Contingent Assets and Liabilities

In December 2019, the Company renewed its guarantee of AFT Pharmaceuticals (AU) Pty Limited for its five-year lease extension contract with Investec Limited for the premises occupied 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.

In April 2022, the Australian High Court turned down the application by UK based Reckitt Benckiser to appeal a judgement that found AFT was justified in making a series of claims in relation to the efficiency of its pain relief tablets. AFT has costs orders in its favour. The costs are in the process of being recovered. During the period progress has been made in terms of submission and quantification of the claim by both parties. Given the progress made, the Group is now in a position to appropriately recognise an asset within the financial statements. The timing of this receipt is still unknown.

11. Commitments

Capital Commitments

The Group has no capital commitments at 30 September 2023 (31 March 2023: nil, 30 September 2022: nil).

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 2023, net foreign exchange gains totalled $492k (2022: $58k). The balance of gains/losses are derived from the restatement of monetary balances and settlements throughout the period at the spot rate on the period-end balance date of 30 September 2023.

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

	Unaudited 30 Sep 2023		Audited 31 Mar 2023		Unaudited 30 Sep 2022	
Currency	Assets NZD$'000	Liabilities NZD$'000	Assets NZD$'000	Liabilities NZD$'000	Assets NZD$'000	Liabilities NZD$'000
AUD	19,909	8,268	29,512	8,732	20,196	4,657
USD	5,280	6,304	8,101	6,643	6,908	3,993
MYR	667	1	435	6	591	-
SGD	629	32	947	10	885	10
EUR	3,616	7,511	1,116	7,990	1,094	4,526
GBP	165	47	153	-	11	161
HKD	-	6	-	1	-	1
CNY	42	-	10	-	-	-
CHF	-	-	4	-	-	-
YEN	-	-	-	2	-	-

The following forward foreign exchange contracts were held at 30 Sep 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				**-**

The following forward foreign exchange contracts were held at 31 Mar 2023:

Forward Foreign Exchange Contracts

Buy currency	Buy currency amount '000	Sell amount NZD$'000	Buy amount NZD$'000	Fair value NZD$'000
EUR	2,095	3,497	3,648	151
GBP	505	974	999	25
USD	3,280	5,330	5,223	(107)
Sell currency	**Sell currency amount $'000**	**Buy amount NZD$'000**	**Sell amount NZD$'000**	**Fair value NZD$'000**
AUD	17,390	19,248	18,688	560
Total asset as at 31 March 2023				**736**
Total liability as at 31 March 2023				**(107)**

The following forward foreign exchange contracts were held at 30 Sep 2022:

Forward Foreign Exchange Contracts

Buy currency	Buy currency amount '000	Sell amount NZD$'000	Buy amount NZD$'000	Fair value NZD$'000
EUR	5,040	8,395	8,717	322
GBP	495	958	959	1
USD	600	901	1,049	148
Sell currency	**Sell currency amount $'000**	**Buy amount NZD$'000**	**Sell amount NZD$'000**	**Fair value NZD$'000**
AUD	18,350	20,178	20,860	(681)
Total asset as at 30 September 2022				**471**
Total liability as at 30 September 2022				**(681)**

- **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. 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 2023, with the largest debtor being AU$3.68m (31 March 2023: AU$27.27m, 30 September 2022: $4.65m). There has been no past experience of default and no indications of default in relation to this debtor.

The Group's cash and short-term deposits are placed with high credit quality financial institutions. Accordingly, the Group has no significant concentration of credit risk other than bank deposits, currently holding an overdrawn position with the Bank of New Zealand (31 March 2023: overdrawn position), and 2.2% at NAB Bank (31 March 2023: 2.8%). 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 is as follows:

30 September 2023 (unaudited)	**< 1 year $'000**	**1-2 years $'000**	**2-5 years $'000**	**> 5 years $'000**	**TOTAL $'000**
Trade and other payables	(32,151)	-	-	-	(32,151)
Borrowings	(6,658)	(3,065)	(41,118)	-	(50,841)
Lease liabilities	(930)	(932)	(1,807)	(1,446)	(5,115)
Derivative instruments (outbound)	(29,351)	-	-	-	(29,351)
Derivative instruments (inbound)	30,244	-	-	-	30,244
Total	**(38,846)**	**(3,997)**	**(42,925)**	**(1,446)**	**(87,214)**

31 March 2023 (audited)	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other payables	(31,658)	-	-	-	(31,658)
Borrowings	(5,279)	(2,788)	(35,454)	-	(43,521)
Lease liabilities	(799)	(722)	(1,394)	(1,446)	(4,361)
Derivative instruments (outbound)	(29,049)	-	-	-	(29,049)
Derivative instruments (inbound)	29,678	-	-	-	29,678
Total	**(37,107)**	**(3,510)**	**(36,848)**	**(1,446)**	**(78,911)**

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

There were no 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

Key management compensation	**Unaudited 6 months ended 30 Sep 2023 $'000**	**Audited 12 months ended 31 Mar 2023 $'000**	**Unaudited 6 months ended 30 Sep 2022 $'000**
Directors fees	252	472	254
Executive salaries	779	1,416	705
Short term benefits	208	443	221
Options expense	35	32	-
Key management compensation	**1,274**	**2,363**	**1,180**

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.

Company 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 Mertons, Level 7, 330 Collins Street, Melbourne, Victoria 3000, Australia. +61 3 8689 999
Principal Administration 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 ARBN: 609 017 969
Directors (As at date of this Interim Report)	Dr Hartley Atkinson Marree Atkinson Anita Baldauf David Flacks Andrew Lane Dr Ted Witek
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, 80 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 2024
Full year results announcement	May 2024
Annual Meeting	August 2024
Half-year end	30 September 2024

Level 1, 129 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

+64 9 488 0232

www.aftpharm.com

AFT pharmaceuticals

Working to improve your health