GROWING
amid global disruption

ANNUAL REPORT **2021**

AFT pharmaceuticals
Working to improve your health

CONTENTS

This report provides a summary review of AFT's operational and financial performance for the year to 31 March 2021 and should be read in conjunction with the company's financial statements on pages 40 to 73 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 audited by Deloitte.

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 Pharmaceuticals is a growing multinational pharmaceutical business with a broad range of products, both those it has developed itself and in-licensed from third parties.

AFT's products cover all major pharmaceutical distribution channels: over the counter, prescription, and hospital. Historically, AFT's home markets have been Australia, New Zealand, and Asia. However, the company is out licensing its own products to licensees and distributors to sell in an increasing number of countries around the world.

The company's intensive Research and Development program forms the basis of its international sales strategy.

For more information, visit our website www.aftpharm.com

AFT pharmaceuticals
Working to improve your health

AFT SNAPSHOT

FY21 FINANCIAL HIGHLIGHTS

Total revenue
$113.1m

Up 7% from $105.6 million despite disruptions of Covid-19

Operating profit
$10.8m

Down 5% on an underlying basis* from $11.4 million amid Covid-19 disruption

Profit after tax
$7.8m

Profit after tax on an underlying basis* more than double the prior year's result

Total assets
$104.7m

Up 20.2% from $87.1 million following inventory increases to ensure supply security

*AFT has used the non-GAAP measures of underlying operating profit and underlying profit after tax and when discussing financial performance in this document. Definitions and reconciliations can be found on page 34 of this report.
**Excluding Head Office costs

FY21 OPERATIONAL HIGHLIGHTS

AUSTRALIA	NEW ZEALAND	ASIA	INTERNATIONAL
Revenue: $68.30m up 11%	Revenue: $30.50m up 1%	Revenue: $4.40m down 10%	Revenue: $9.90m up 9%
Operating profit $7.90m	Operating profit $4.0m**	Operating profit $1.50m	Operating profit $1.40m

Australia – Growth Drivers
- Over the counter sales
- New products
- Broad product range
- Antibiotic sales

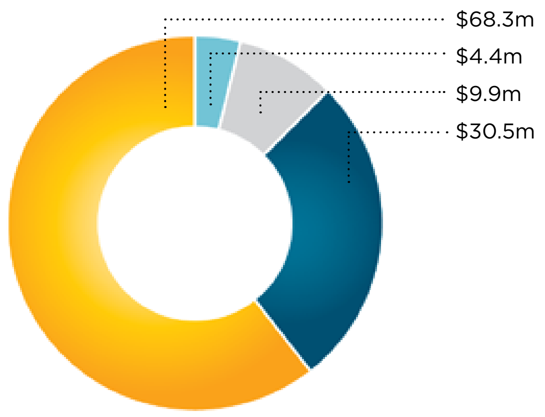
New Zealand – Growth Drivers
- Antibiotic sales
- New products

Asia – Growth Drivers
- Transition to higher margin hospital and prescription products

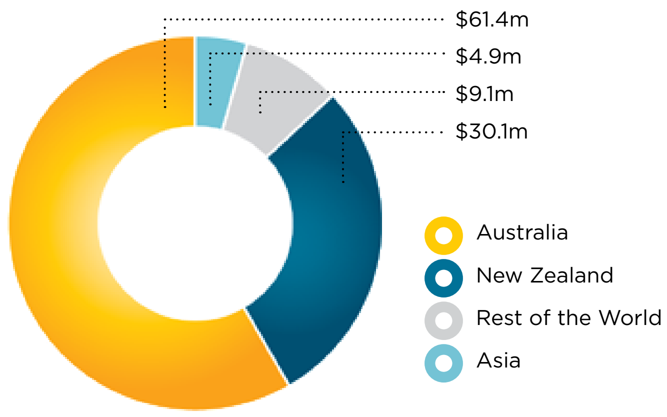
International – Growth Drivers
- New launches

*Excludes head office costs.

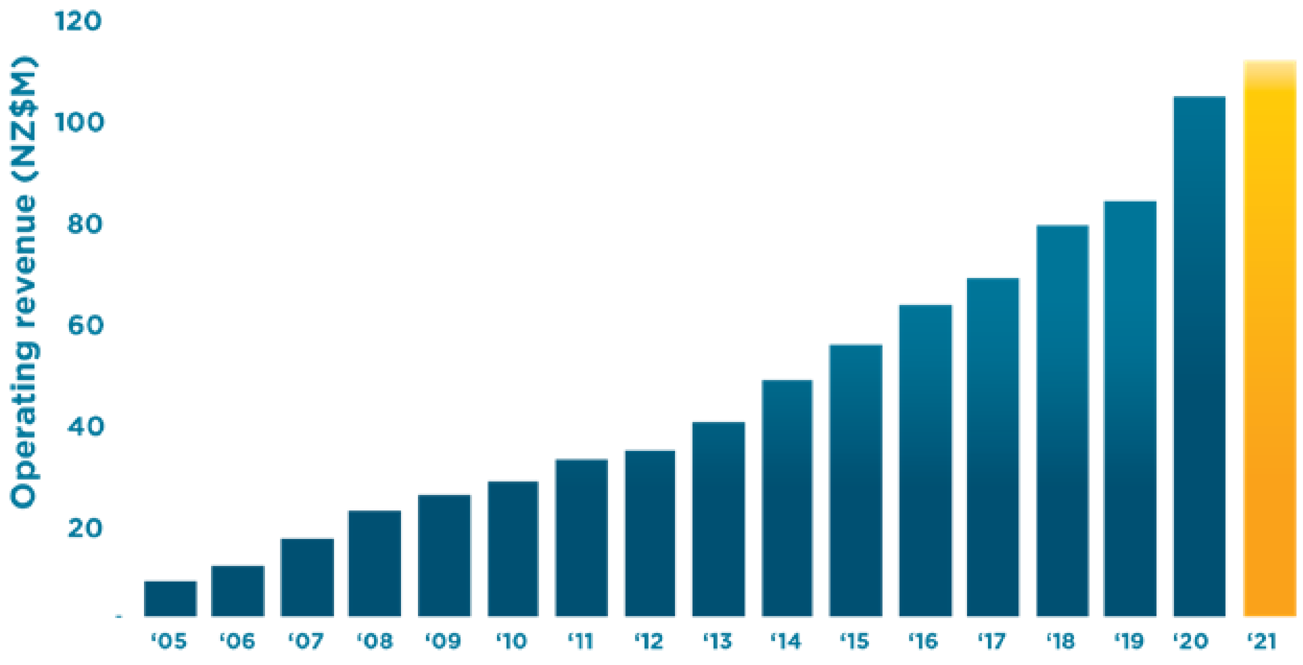
REVENUE BY MARKET FY2021



REVENUE BY MARKET FY2020



AN ENDURING RECORD OF GROWTH



FOCUS ON FUTURE GROWTH CONTINUES

Dear shareholders,

The 2021 financial year has been one of the more challenging in AFT Pharmaceutical's history as business conditions tightened around the world in the wake of the pandemic. Nevertheless, as we report another year of record revenue and a more than doubling in underlying earnings, we can look back on the year with a sense of achievement.

We have delivered these improved financial results in the face of multiple Covid-19 supply disruptions, delays to product launches, to regulatory approvals and to manufacturing audits around the world.

Negotiations on licensing and distribution agreements have taken longer than we planned, while lockdowns, travel restrictions and government-imposed limits to medicine supply have disrupted sales through our Over the Counter, Hospital and Prescription channels.

We have dealt with the immediate challenges by adapting AFT's operations. We have launched new products that directly address the new health challenges we face, including hand sanitisers and face masks.

We have increased inventories to manage supply disruptions, particularly in those products where we have seen a surge in Covid-19 related demand, including antibiotics, vitamins and our pain management medicines.

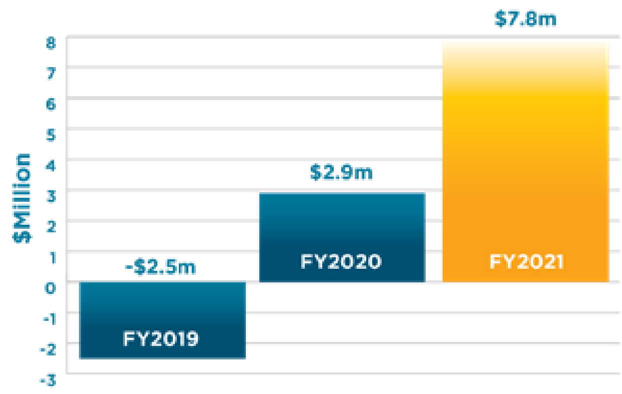
We have diversified our manufacturing base. Maxigesic tablet manufacturing, for instance, now has more geographic diversification with production in India and China and with a European site also close to becoming available. We have also re-engineered our business to engage more online with our stakeholders around the world, in addition to dealing with them face-to-face.

But importantly, we have still retained our focus on the long-term. We are repurposing existing medicines, leveraging our network of international partnerships and then drawing on our years of experience working with regulators, suppliers and distributors to bring these medicines to market.

Over the last year, on multiple counts, we have continued to execute on this strategy. Consequently, we can look through the current turmoil and we remain confident that we can continue to build on our long, and uninterrupted, record of growth.

FINANCIAL PERFORMANCE

Our results demonstrate resilience, with group operating revenue for the year to 31 March 2021, growing 7% to $113.1 million from $105.6 million in the prior financial year.



UNDERLYING PROFIT AFTER TAX

All our regions were disrupted by the pandemic. Our largest market Australia grew by 11%, but below what we see as the country's long-term potential. Our Rest of the World segment, which is principally focused on the commercialisation of Maxigesic, grew by 8%. Revenue in our Asian business fell by 10% largely due to its transition to higher-margin hospital products, while growth in New Zealand, up 1%, was hampered by Covid-19 restrictions.

Further detail on the performance of the regions is covered on page 11 of this report.

However importantly, underlying profit after tax more than doubled to $7.8 million from an underlying $2.9 million in the prior year, with the

"We can look through the current turmoil and we remain confident that we can continue to build on our long record of growth"

David Flacks Chairman *(left)*
Dr Hartley Atkinson Founder & CEO

increase due principally to significant financing cost savings achieved from the debt restructuring in early 2020. The prior year's reported net profit of $12.7 million benefited from a $9.8 million non-recurring gain related to AFT taking full control of the Pascomer dermatological medicine intellectual property.

Gross profit grew by 1% to $48.8 million from $48.3 million in the prior year, with revenue growth offset by a margin decline of 2.6 percentage points to 43% primarily due to Covid-19 impacts. Licence income (at a 100% margin) was lower while we endured higher costs due to a weakening of the Australian and New Zealand dollars through the earlier months of the pandemic.

125+
Countries in which Maxigesic tablets are licensed

Additionally, freight costs, in particular, rose as we made more use of air freight to build up stock levels to ensure continuity of supply. Over the longer term we expect expenses as a proportion of total revenue to continue to reduce as revenue from the Rest of the World grows.

Selling and distribution expenses were steady at 24% of operating revenue. General and administration expenses declined to $7.8 million from $9.1 million due primarily to lower legal fees.

Underlying operating profit (adjusted for the $9.8 million non-recurring gain in FY2020) declined marginally to $10.8 million from $11.4 million in the prior year.

MAXIGESIC AND NEW PRODUCTS

The potential of our Australian business and the continued commercialisation of Maxigesic around the world represent the largest immediate opportunities for the company.

We have made very good progress with Maxigesic in terms of advancing licensing and registrations particularly when our achievements are considered alongside the travel bans and lockdowns.

During the 2021 financial year we increased the number of territories where the tablet form of the medication is sold by 15 to 43 with launches in Canada, Eastern Europe, Germany, and Mexico (among others). The intravenous form has been licensed in more than 20 territories since the start of the 2021 financial year.

Shortly after the end of the financial year we achieved the important milestone of licensing Maxigesic IV in the US, a deal that has the potential to deliver milestone payments of up to US$18.8 million as well as a share of future profits.

Further detail on our Maxigesic commercialisation programme is covered in page 14 of this report.

MAXIGESIC COMMERCIALISATION PROGRESS

	Maxigesic tablets		Maxigesic IV		Maxigesic oral solution	
Territories	31 March 2021*	31 March 2020	31 March 2021*	31 March 2020	31 March 2021*	31 March 2020
Licensed	125+	125+	100+	80	100+	100+
Registered	49	44	21	3	-	-
Sold in	43	28	3	-	-	-

*Post balance date we licensed Maxigesic IV in the US and six countries of Latin America.

Meanwhile, we expect new product launches in Australasia across our seven core therapeutic areas of Eye care, Dermatology, Pain (including further Maxigesic line extensions), Hospital, Allergy, Gastrointestinal and Medicated vitamins, to drive growth in the coming year.

RESEARCH AND DEVELOPMENT

Research development and innovation are the engines of our future growth.

We have achieved some significant research and development milestones. We completed our final Maxigesic IV study of 225 patients in the US and New Zealand despite Covid-19 shutting down many hospitals and restricting patient enrolment. This research was recently published in the significant medical journal Biomedicine & Pharmacotherapy.

We have rapidly innovated to deliver products that meet the new public health requirements including our long-lasting hand sanitiser Crystawash® Extend. Trials of our orphan drug, Pascomer, a topical treatment for facial angiofibromas in tuberous sclerosis complex, have progressed (although there were some delays in the opening months of the pandemic).

We have initiated the development of the first dose form for our NasoSURF drug delivery device and expect to start clinical studies during this financial year. Development of NasoSURF has significant potential to increase the number of drugs used in 100+ patented device.

Meanwhile, AFT continues to carefully run its research and development budgets and to investigate other sources of funding such as international research grants, including grants from the USA. Further detail on our research and development initiatives are covered on page 18 of this report.

BALANCE SHEET

AFT remains well funded following the $12 million capital raise last year.

We had initially anticipated using the new equity to reduce more debt. However, as the ongoing nature of border restrictions became more apparent we took the prudent approach of building inventory levels which with the benefit of hindsight has proven to be an important strategic decision.

As a direct result, total assets increased to $105.0 million from $87.1 million, due primarily to a $10.9 million increase in inventories to $33.7 million. Net debt has fallen to $35.2 million from the $37.1 million at last year end and we have sufficient headroom in our facilities.

This proactive approach to inventories, which was adopted early in the pandemic, has protected us to some extent against the risk of stock-outs due to shipping and manufacturing delays. We expect to maintain significant safety stock until we see the supply risks retreating.

GOVERNANCE

Reflecting the growing importance of international markets to the future of AFT, the resignation of Nate Hukill after our former major shareholder CRG completed its planned sell down, and the planned retirement of Jim Burns at the next annual meeting, we appointed two new directors.

Anita Baldauf joined the Board in November 2020 and brings to the company broad international experience in the fast-moving consumer goods sector and corporate finance. Then, in early 2021, US-based Dr Ted Witek joined the Board as a non-executive director, strengthening the Board's experience with North American pharmaceutical regulators and markets.

Shareholders will have an opportunity to vote on both directors at our annual meeting in August.

"We have always seen best-practice governance as fundamental to driving improvements in shareholder value. Meanwhile, as a healthcare company, environmental and social outcomes naturally resonate with us"

SUSTAINABILITY

AFT recognises the growing focus investors and its broader community place on improving the company's environmental, social and governance (ESG) performance.

We have always seen best-practice governance as fundamental to driving improvements in shareholder value. Meanwhile, as a healthcare company environmental and social outcomes naturally resonate with us.

In the last year we took steps towards formalising these programmes into an ESG framework to account for and to assist reporting on progress towards planned improvements. Our programme is set out on page 20 of this report and it will further be developed in the coming years.

PEOPLE

The response of the AFT team to the challenges of Covid-19 has been inspiring. As an essential business we worked right through all lockdowns with social distancing and personal protective equipment in place. Moreover, we did all of this while managing our multiple stakeholders across many different time zones. Over the last year the lights have frequently been on at our offices all around the world well into the night.

AFT's success is ultimately thanks to the efforts of our people. On behalf of shareholders and the Board we thank Senior Management and the broader team for their efforts. Directors have also worked tirelessly for the company and we would particularly like to thank Jim Burns for his contributions and insights in the six years he has been with the company.

OUTLOOK

We are encouraged by the progress global health authorities are making in key markets with their vaccination programmes and we have seen some positive signs in the US, Western Europe and China. However, we are taking nothing for granted.

We continue to monitor the economic and financial effects of the pandemic and we are particularly attuned to the impact on sales, prices and supply interruptions and we will continue to take steps to mitigate these risks.

We are still pursuing plans to assess the potential for a divided policy but first need to reduce our net debt down to the targeted $25 million - $30 million. The achievement of this goal will depend upon our earnings progress and the reduction of inventory as the pandemic effects subside.

Nevertheless, we are confident the changes we have made in the business, our continued innovation, and our strong network of relationships around the world position AFT for continued success.

The outlook for the 2022 financial year is subject to some uncertainty. However, we expect, and are targeting, continued growth. Our best estimate is for operating profit to range between $18 million and $23 million.

We look forward to providing a further update at our annual meeting in August, if not before.

David Flacks
CHAIRMAN

Dr Hartley Atkinson
FOUNDER & CEO

REGIONAL SUCCESS UNDERPINS LONG TERM GROWTH

"Sales in Australia grew by 11% to $68.3 million from $61.4 million in the prior year"

AUSTRALIA

Strong growth blunted by Covid-19

Sales in Australia grew by 11% to $68.3 million from $61.4 million in the prior year, but not as fast as we planned, principally to the disruptions of Covid-19. Australian revenue now represents 60% of Group Operating Revenue. Operating profits rose to $7.9 million from $7.3 million.

The OTC channel has been hindered by the Covid-19 lockdowns and restrictions but has grown at 9% and is generating 62% of total Australian revenue. We have introduced hand sanitizer and face masks to assist with the Covid-19 response and these have made a valuable contribution to sales.

Maxigesic sales were impacted by Covid-19 restrictions. However, the brand has extended its market share lead of the paracetamol-ibuprofen combination section of the pain management market.

Our eyecare range continued to deliver good growth, benefiting from the recently introduced products including Novatears and its line extension Novatears Omega3 and Optisoothe.

We have moved from number 3 to number 2 position in the lubricating eyecare category in Australia and have maintained the number 1 selling SKU.

The Hospital channel grew 13%, benefiting from antibiotic sales in response to Covid-19, while the Prescription channel grew at 21% with the launch of new products. However, some prescription products, such as penicillin, were significantly down due to the decline in GP visits during Covid-19 restrictions.

Our significant program of new products has been delayed by Covid-19 however, we expect them to extend our long-standing record of growth in this market. We have also recently increased our salesforce to further support this planned growth.

Maxigesic reaches 1 MILLION packs sold in a single year

NEW ZEALAND

Hospital sales growth offset by Covid-19 disruptions

Sales in New Zealand grew a modest 1% to $30.5 million from $30.1 million and represented 27% of Group Operating Revenue. Operating profit, excluding head office costs, of $4.0 million was also level with the same period a year ago.

This is a good result given the significant impact of the Covid-19 restrictions. The end of the prior year saw strong sales of a range of Covid-19 related products, in particular Vitamin C Lipo-Sachets and antibiotics, and this together with the subsequent Covid-19 restrictions impacted sales.

The OTC channel was the most impacted by Covid-19, with sales falling 3% to $16.8 million from $17.4 million. The record-breaking sales of Vitamin C Lipo-Sachets at the back end of the prior year, with the Covid-19 stockpiling, together with significantly lower sales of products such as the Crystaderm antiseptic cream with the lower GP visits through the lock downs have driven this result.

The Hospital channel grew at 20% to $4.8 million from $4.0 million with strong sales of antibiotics. The Prescription channel grew at 2% to $8.9 million from $8.7 million. This reflects the recovery in the second half of the year, following the fall in the first half of the year due to restrictions on GP visits through the Covid-19 lock downs and government restrictions preventing pharmacists from dispensing more than 30 days of medicine through this period.

[1] IQVIA data for sales to New Zealand pharmacies for the first quarter of the calendar 2021 IQVIA NZ Pharmacy data to Q1 2021 year showed that Vitamin C Lipo-Sachets® reached the #1 selling product - number of sachets sold - in the liposomal Vitamin C category.

ASIA

Transition to prescription and hospital products lifts profitability

The transition of the Asian business to better margin Hospital and Prescription products saw a modest reduction in sales, but strong improvements in profitability. Sales in Asia declined 10% to $4.4 million from $4.9 million and generated 4% of Group Operating Revenue. However, operating profits rose strongly to $1.5 million from $0.1 million.

The OTC channel benefitted from pandemic stockpiling of Maxigesic in Singapore.

We have launched a T-Mall flagship store to drive ecommerce sales into the Chinese market and additionally build brand recognition ahead of China in-market launches. Early-stage sales have been positive, but it is a long-term project albeit with significant potential.

With sales commencing from China and in the near future, South Korea, we have amended this segment to be named as Asia, as opposed to Southeast Asia, to reflect the expanded geography.

REST OF THE WORLD

Maxigesic commercialisation continues to build

Sales in the rest of the world have grown benefitting from sales from existing markets as well as launch orders shipped to the new markets of Mexico, Germany, Belgium, Luxembourg, Ireland and Switzerland.

However, the gains have been restricted by the ongoing impacts of Covid-19. We suffered supply disruptions in India where manufacturing of Maxigesic tablets is currently undertaken, while the lockdowns impacted retail demand.

Overall sales to the rest of the world grew 8% to $9.9 million from $9.1 million and represented 9% of Group Operating Revenue. Sales of products and royalties grew 47% to $7.8 million from $5.3 million, with licence income lower at $2.1 million from $3.8 million.

We have made good progress diversifying the manufacturing base, with the addition of a manufacturing plant in China and soon another in Europe. These sites will assist to mitigate these disruptions during the current financial year.

With the vaccination roll out we are starting to see a recovery in key markets.

Operating profit of $ 1.4 million is lower than the normalised $4.2 last year, reflecting the lower licence income and the prior year benefit of the one-off $1.7 million contributions from joint venture partners resulting from successful development results.

The prior year's operating profit of $14.0 million also included the non-recurring gain on acquisition of the joint venture Dermatology Specialty Limited Partnership (DSLP) of $9.8 million.

BUILDING MAXIGESIC PARTNERSHIPS AROUND THE WORLD

In the last 12 months we have licensed Maxigesic IV in 31 new countries and Maxigesic tablets in four new countries, despite Covid-19 lockdowns

The Maxigesic family of medicines offers clinicians and healthcare providers a strong proposition. It is an effective alternative for the treatment of post-operative and mild to moderate pain and it also avoids the side effects of traditional opioid-based analgesics that have fuelled an unprecedented cycle of addiction and abuse around the world. The tablet version of the medicine has now been licensed in more than 125 countries and we are progressively licensing the other dose forms of the medicine to a variety of partners worldwide.

The focus of our efforts over the last year has been the intravenous form of the medicine Maxigesic IV. Since our last annual report we have signed 13 separate licensing agreements expanding the reach of Maxigesic IV by 31 countries, tablets and other oral dose forms by four new countries. We are delighted with the achievement especially since all of the agreements were negotiated and struck remotely as physical travel has been limited by Covid-19.

A MARCH OF AGREEMENTS

Maxigesic agreements struck since March 2020

June 2020
- EverPharm (Maxigesic IV - Germany, Austria, Italy and France).

July 2020
- Medochemie - (Maxigesic IV - Bulgaria, Cyprus, the Czech Republic, Hungary, Romania and Slovakia)

November 2020
- DKSH (Maxigesic IV – Hong Kong)
- Edge Pharmaceuticals (Maxigesic IV - United Kingdom)
- Jed Pharma (Maxigesic IV – Ireland)
- Alliance Pharma (Maxigesic IV – Thailand)
- Acino (Maxigesic tablets – Ecuador)
- Elpen Pharmaceuticals (Maxigesic tablets - Greece)
- Excel Healthcare Laboratories (Maxigesic tablets – Pakistan)

March 2021
- Aguettant (Maxigesic IV - Spain UK, Finland, Norway, Denmark, Sweden, Iceland, Portugal, and the Netherlands).
- Mercarpharm (All Oral dose forms and Maxigesic IV - Poland.)
- Vianex (Maxigesic IV - Greece)

April 2021
- Hikma (Maxigesic/Combogesic IV – USA)

May 2021
- Pharma Bavaria (Maxigesic IV – Bolivia, Chile, Columbia, Ecuador, Peru, Uruguay)

AFT's new director in Europe

Eddie Townsley (pictured) joins the team to support AFT in Europe. By the end of the financial year AFT had secured partners in 23 out of the 27 EU member states for the tablet form of the medication. Meanwhile, we had secured Maxigesic IV partners in 22 member states. With such coverage and our expectation of growing demand for the medicine from the region, we decided to establish a representative office and appointed Eddie as the local director of AFT Pharmaceuticals Europe.

Eddie is an experienced pharma executive. As Managing Director of Ireland's JED Pharma, the distributor of Maxigesic IV in Ireland, he knows the product well and understands the potential for the medicine across the EU.

A BEACHHEAD IN THE WORLD'S LARGEST PHARMACEUTICAL MARKET

Maxigesic IV licensed in the US, Combogesic tablets launched in Canada and poised for regulatory approval in the US

AFT made its first sale of Maxigesic tablets under the Combogesic brand in Canada in December 2020, the first sale in North America and one that we hope will be the start of a broader move across the continent.

While this sale is a significant step in its own right, it is the progress we have made in the last year putting in place the foundations to take the medicine across Canada's southern border that really sets the company up for sustained growth in the region.

The first milestone was passed in the middle of November, when the US Food and Drug Administration said the only significant barrier to the company obtaining registration of the tablet form of the medication in that market was a Good Manufacturing Practice (GMP) audit of the company's manufacturing facilities. The audit, which was due to take place in 2020, was delayed because of Covid-19 travel bans and is now due to take place when circumstances allow.

Then in April we signed an exclusive Licence and Distribution Agreement with Hikma Pharmaceuticals USA for the commercialisation of Maxigesic IV, marking the first agreement of the Maxigesic family of medicines into the US market.

Under the terms of the licence agreement, Hikma will have exclusive rights for the sales, marketing, and distribution of Maxigesic IV in the US. In return AFT will be entitled to upfront, regulatory, and commercial milestone payments of up to US$18.8 million as well as a profit share from in market product sales.

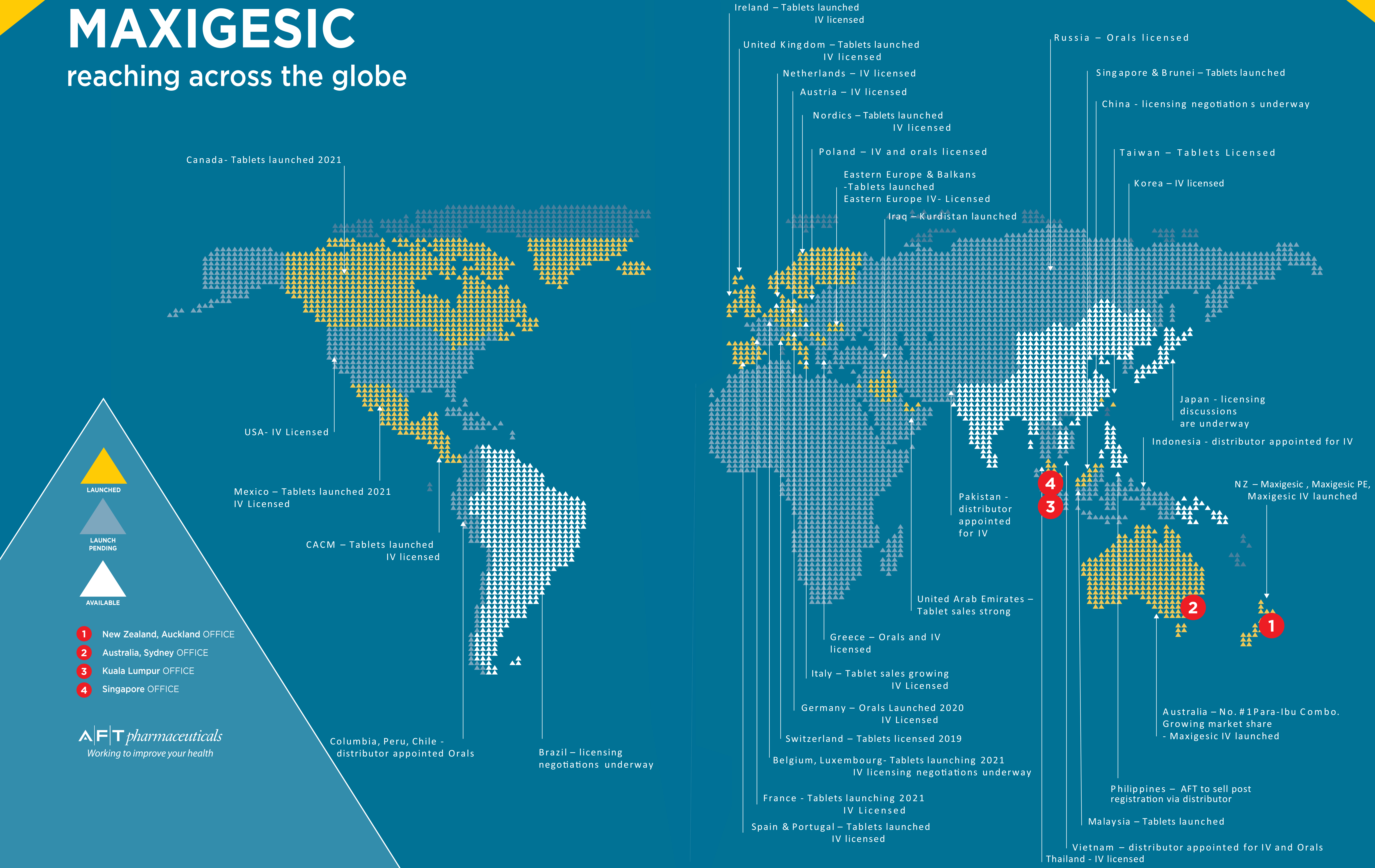
The potential for Maxigesic in the US is significant. Early in 2020 the independent market research firm Delveinsight estimated Maxigesic had the potential to generate sales of US$291 million by 2028 and a total of more than US$440 million of revenue if the company successfully commercialises the medicine in the US as well as Japan and the top five European countries (France Germany, Italy, Spain and the UK).

While there is still some water to go under the bridge, including regulatory approvals and further licensing and distribution agreements, the report, and the progress we made with Hikma in the US is encouraging.

Hikma has a strong and respected US hospital market presence. It is the third largest US supplier of generic injectable medicines by volume, with a growing portfolio of over 100 products. Today one in every six injectable generic medicines used in US hospitals is a Hikma product.

MAXIGESIC

reaching across the globe



1. New Zealand, Auckland OFFICE
2. Australia, Sydney OFFICE
3. Kuala Lumpur OFFICE
4. Singapore OFFICE

A|F|T pharmaceuticals
Working to improve your health

LAYING THE FOUNDATIONS FOR AFT'S FUTURE GROWTH

At the heart of AFT's growth and success is: a record of innovation to develop new products that deliver real improvements in health outcomes; research to validate the medical benefits of new products; and a deep understanding of – and expertise navigating - the regulatory and commercial hurdles faced in bringing new products to market.

We have extended this record in the current year bringing new over the counter products to market and continuing to develop novel prescription products and medical devices that we believe over the longer term will make a real difference to the quality of life to people around the world.

Easing the burden of the new normal

Crystawash® Extend overcomes shortcomings of alcohol-based sanitisers.

Hand sanitisation is becoming the new normal as Covid-19 ushers in new standards of personal hygiene. However, traditional alcohol-based sanitisers offer little protection unless they are applied regularly during the day. The reason? They offer no lasting protection and are challenged every time a new (and potentially infected) surface is touched.

Recognising this deficiency - and the potential for skin inflammation that comes with the repeated use of alcohol-based sanitisers - we developed Crystawash® Extend, which coats hands with an invisible, waterproof, biostatic layer that ruptures the membranes of germs upon contact.

The result is effective hand sanitisation and protection against contact of multiple germ-infected surfaces, and this has been validated by independent tests which showed Crystawash Extend killing over 99% of germs on contact over a 24-hour period [1,2,3]

Despite the very welcome advent of several Covid-19 vaccines, we see no let-up in demand for effective hand sanitiser. Our view was validated earlier this year when we signed agreements to distribute Crystawash® Extend in the United Arab Emirates, Kuwait, Oman and Kenya.

Pascomer validation trials progress

Despite the challenges of Covid-19 AFT has opened all of the 17 sites in the Phase IIb clinical trial evaluating Pascomer, a topical treatment for facial angiofibromas (FAs) in tuberous sclerosis complex (TSC).

The study, which is aimed at determining the optimal dose at which the drug shows biological activity with minimal side-effects, and enrolment is due to be completed in 2021. This is a tremendous achievement given the challenges of the global lockdowns and the social distancing required even when free movement was allowed.

We have many eager participants in the studies and the collective efforts of our team made these significant milestones possible during an extremely challenging time.

While the study is not yet completed, our faith in the treatment was further validated with the signing in March of a new commercialisation and development agreement for Pascomer, covering the 27 countries within the European Union as well as Switzerland, Norway and the United Kingdom.

FA's are a symptom of Tuberous Sclerosis Complex (TSC), a genetic disease, estimated to affect one in 6,000, [4,5] people, or an estimated 50,000 patients across Europe [6]. It can cause adverse effects on appearance and in serious cases, impair breathing and vision.

Pascomer's efficacy has been demonstrated as an inhibitor of inflammatory signalling in TSC, but in the US and Europe the active ingredient is only available as an oral agent, which has been associated with significant systemic toxicity. The topical formulation has the potential overcome the limitations of oral therapy and help thousands of people living with FAs due to TSC. a

NasoSURF development

Our NasoSURF nasal drug delivery device has continued to advance during the year. Traditional nebulisers work by converting medication into a mist that patients inhale into their lungs. However, NasoSURF, a handheld ultrasonic nasal mesh nebuliser, is targeted for use with medicines aimed at a patient's sinus areas. We have initiated the development of the first medicinal dose form to be used in the device and we expect the first clinical studies to commence in this financial year.

Working to meet untapped cannabis medicine demand

Partnership with SETEK provides strong foundation for growth.

AFT continues to work closely on the development of medicinal cannabis products and sees its efforts coming to fruition in a broad range of applications.

Pivotal to the success of the programme is the agreement we struck this year with SETEK. Significant development work continues with close co-operation between AFT and SETEK. We only plan to make announcements once key development and regulatory milestones are achieved.

SETEK THERAPEUTICS

1 AFT Pharmaceuticals/AsureQuality Laboratory Services, New Zealand microbiological effectiveness study evaluating residual killing activity against transient microbial skin flora on synthetic skin (test organisms: S.Aureus NZRM 147/ATCC 6538 and E.Coli NZRM 2577/ATCC 8739).
2 Time Kill Test conducted by Eurofins BioPharma Product Testing, Australia; Protocol: TMD-110, EN 13727; Test organisms: S.Aureus ATCC 6538, E.Coli NCTC 10538, P.aeruginosa ATCC 15442, and E. hirae ATCC 10541
3 Virucidal Test by Carrier Method conducted by Eurofins BioPharma Product Testing, Australia; Protocol: TMCV 006, ASTM E1053; Test organisms: Murine hepatitis virus (MHV1) ATCC/VR-261.
4 Au KS, Williams AT, Roach ES, Batchelor L, Sparagana SP, Delgado MR, et al. Genotype/phenotype correlation in 325 individuals referred for a diagnosis of tuberous sclerosis complex in the United States. Genet Med. 2007 Feb;9(2):88 -100
4 Dabora SL, Jozwiak S, Franz DN, Roberts PS, Nieto A, Chung J, et al. Mutational analysis in a cohort of 224 tuberous sclerosis patients indicates increased severity of TSC2, compared with TSC1, disease in multiple organs. Am J Hum Genet. 2001;68(1):64 -80.
6 Tuberous Sclerosis Alliance: https://www.tsalliance.org.

AFT pharmaceuticals

WORKING TO IMPROVE YOUR HEALTH

A company built on integrity and a clear purpose

AFT Pharmaceuticals is built on integrity and a clear purpose of working to improve the health of its customers. It is a mission that has at its heart a commitment to sustainability, the maintenance of corporate governance practices that are aligned with best practice, the highest ethical standards and a determination to contribute positively to environmental and social outcomes.

Last year we committed to work to progressively develop and incorporate into our governance framework a strategy to account for and to report on progress towards improvements in material and relevant environmental and social outcomes.

This year we have continued on that journey with a formal assessment of our environmental, social and governance performance against our pharmaceutical industry peers and the guidance of the NZX. The results - detailed on opposite page - has identified clear opportunities for AFT to continue to build on in the coming years.

We meanwhile continue to map our business and community initiatives onto the United Nation's Sustainable Development Goals to show how our efforts fit within a large and robust vision for positive global change.

BENCHMARKING AFT'S SUSTAINABILITY PERFORMANCE

AFT has over the last year benchmarked its environmental social and governance performance against our peers, the NZX Corporate Governance Code and Guidance and Standard & Poor's assessment of material issues for the pharmaceutical sector. The review has demonstrated that the company has made significant progress on a broad range of fronts. It has also identified opportunities for further progress.

	Environmental	Social	Governance
Activity Underway	• Supply Chain packaging • Product waste through donations	• Product Innovation and R&D • Product quality and safety • Customer health and wellbeing • Affordability and access to medicines • Diversity and Inclusion • Health and safety (Domestic) Charitable contributions Community initiatives • Modern slavery	• Corporate Governance Statement • Ethics • Whistleblowing • Tax transparency • Relationships with regulators and regulation
Still to be considered	• Climate change and AFT's carbon footprint.	• Consumer and social trends	• Sustainability framework and reporting

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

How AFT is helping to drive the UN's vision for positive change

Environmental

REDUCING OUR ENVIRONMENTAL FOOTPRINT

Improving the sustainability of our packaging

AFT has made significant progress on its goals to improve the sustainability of its packaging. In 2020 we joined the Australian Packaging Covenant Organisation (APCO), which partners with government and industry to reduce the harmful impact of packaging on the environment. It achieves this by promoting sustainable design and recycling initiatives, waste to landfill reduction activities and circular economy projects.

In 2021 APCO assessed AFT as 'Advanced' in reducing our packaging's environment footprint. The rating represented a substantial step up in performance on the prior year when APCO gave us a 'Getting Started' rating. This progress reflects, among other things:

- **Our processes in place for continuous improvement in our packaging sustainability**
- **Our review of our packaging processes against sustainable packaging guidelines**
- **Our commitments to reducing packaging weight, optimising material efficiency; incorporating recycled material into our products and to making more than 50% of our packaging recoverable**
- **Our determination to reducing consumption of business-to business packaging.**
- **APCO's report is available here www.investors.aftpharm.com/Investors/**

Assessing our carbon footprint

AFT operates in an industry where the impact of its activities on the climate are more limited than sectors of the economy such as transport, energy production and farming. However, we still recognise understanding climate risk is key to our long-term strategy and building resilience in the business.

The Government has signalled its support for the global Task Force on Climate Related Financial Disclosures (TCFD) recommendation that listed issuers, banks, general insurers, asset managers publicly disclose their climate related financial risks. The Government has now indicated that it expects formal reporting for the 2022 – 2023 year. AFT is supportive of the move and is committed to implementing the TCFD reporting framework.

Bruna Keller dos Santos Digital Marketing and Product Manager, with a 100% recyclable cardboard shipper for Maxigesic tablets.

UN SUSTAINABLE DEVELOPMENT GOALS

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

RESPONSIBLE CONSUMPTION AND PRODUCTION

- We actively manage the risks associated with the sale and distribution of pharmaceutical products.
- Our critical suppliers are risk assessed against our risk management frameworks
- We have a comprehensive sustainable packaging strategy
- We only test our products on animals when we are required to do so by regulators. We have a humane animal testing policy that addresses the 3R principles of animal research referring to the reduction, refinement, and replacement in the use of laboratory animals.

Social

DIVERSITY ACCOUNTABILITY AND INCLUSION

Embracing difference drives better business performance

AFT promotes a workplace culture that emphasises accountability of its leaders to cultivate a culture of inclusion in which the strengths of every individual are recognised and valued. We know that building diversity will deliver enhanced business performance. AFT is proud to have a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicities and experiences.

In the financial year to 31 March 2021 AFT's 94 employees came from 32 different cultural backgrounds and 24 birth countries, with a gender split of 61% women and 39% men and an age spread of employees ranging from 23 years to 78 years (average age of 43 years old).

During the year we took the following steps to continue to develop and maintain a diverse and inclusive working environment:

- **We undertook an annual merits-based remuneration review, which provided visibility to management in relation to parity of working conditions and pay across its workforce. The review did not highlight any material pay disparity based on gender, taking into account experience and accountabilities of comparable roles.**
- **We continued to actively monitor and review gender and cultural diversity metrics on a quarterly basis across the business by department and geography and this continued to show that AFT continues to attract and retain a highly diverse workforce**
- **We reviewed the reasons for any significant deviations from company averages and targets to seek to understand whether any unconscious bias was occurring at the recruitment or promotion stage. It was noted that in the few cases where gender disparities were identified within teams, there tended to be a much higher applicant rate of that gender when recruiting new members to those teams. This factor is taken into consideration when making future hires, aiming to correct the imbalance over time, where possible.**
- **We continued to educate managers on the importance of creating a diverse and inclusive environment and providing awareness of the potential for unconscious bias in people management processes. We have a formal managers' training programme provided by an external company for maintaining our current diversity of culture, age and gender across departments.**
- **We continued to provide refresher training to all staff annually on the importance of AFT's Code of Culture and Ethics. This training is also included in the induction programme for all new staff.**

In the year ahead the company will continue to monitor and benchmark against the same diversity and inclusion objectives adopted in respect of the year ended 31 March 2021 (as detailed above). In addition, it is intended that AFT's gender diversity be benchmarked against peers.

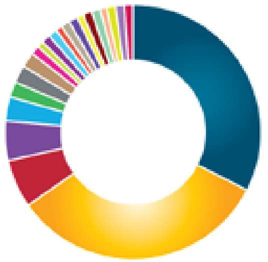
Employees by Gender Diversity (%, as at 31 March 2021)

Female 61%
Male 39%

Employees by Age Diversity (%, as at 31 March 2021)

Under 30 15%
30-44 38%
45 and over 47%

Employees by Birth Country Diversity (%, as at 31 March 2021)



Gender Composition of AFT's Workforce

The respective numbers and proportions of men and women at various levels within the AFT workforce as at 31 March 2021 and 31 March 2020 are set out in the table below:

	Female				Male			
	2021		2020		2021		2020	
Directors	2	25%	2	14%	6	75%	6	86%
Officers[1]	4	36%	4	36%	7	64%	7	64%
workforce	57	61%	52	60%	37	39%	34	40%

[1] Officers are considered to be the CEO and his direct reports. Note that CEO, Hartley Atkinson, and Chief of Staff, Marree Atkinson are included in both the number of directors and officers reported.

UN SUSTAINABLE DEVELOPMENT GOALS

5 GENDER EQUALITY

GENDER EQUALITY

- Our product ranges across the spectrum of the population from juvenile to old age
- We have a diversity and inclusion policy and actively monitor gender and cultural diversity metrics across the company to ensure a workplace that is free from victimisation and harassment.
- We regularly benchmark AFT's diversity standpoint, status and objectives against appropriate external comparators.
- We strive to ensure that all employees and contractors receive equal and fair treatment in all aspects of the company's employment and practices.
- We seek to raise employee awareness of workplace diversity by designing, delivering, and measuring the effectiveness of programmes that promote workforce diversity, and gender equity.

Meeting the challenge of Covid-19

AFT's team has stepped up in extraordinary ways to the challenges of Covid-19.

As an essential business we worked right through all lockdowns with social distancing and personal protective equipment in place.

At the heart of the change was our determination to protect our people.

The lockdowns and the subsequent travel restrictions across Australia and the rest of the world have put immense demands on our staff and supply chains, limiting face-to-face meetings and travel to meet suppliers, our distributors, and our customers.

Most of our team have readily adapted to remote working, a move that has been facilitated by the fact we operate a highly mobile workforce.

We maintained close contact across all our teams with weekly management meetings, weekly Covid-19 updates through March and April for all employees and strongly encouraged managers to have daily interactions with all of their reports, especially the sales reps, who found themselves at home without social interaction. This was to ensure employees felt cared for and not isolated and abandoned in such times. We also offered counselling.

It is a testament to the adaptability and resilience of AFT people. Despite the challenges the entire team has continued to focus and deliver on the company's mission to drive improvements in global health outcomes and shareholder value.

Separately we have completed a new Maxigesic IV licensing deals around the world without having to meet our licensing partners. All of this has demanded a heightened focus on health and wellbeing, and minimising the potential for risk, personal injury, ill health or damage.

In addition to the specific actions taken to support the health and wellbeing of our staff during the Covid-19 pandemic we continued to develop a wellness program to support our staff.

This programme included management training on harassment, bullying and discrimination; providing employees with free flu vaccinations; providing staff with an employee assist programme; as well as providing employees with optional physical and mental health assessments.

"The health and well-being of our people amid the challenges of the pandemic have been paramount."

UN SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING

GOOD HEALTH AND WELL-BEING

- Many of AFT's medicines are on the World Health Organisation's model list of essential medicines.
- We are committed to the development and commercialisation of medicines that are backed by clinical evidence and deliver improved health outcomes.
- Our Maxigesic pain relief medicine offers a therapeutic alternative to addictive opiates, while we have actively lobbied for the removal of pseudoephedrine from sale, recognising the role it plays in the amphetamine epidemic.
- We actively manage health and safety risks of our people and strive for a working environment that promotes health and wellbeing, while minimising the potential for risk, personal ill health, or damage.
- We actively promote health and wellbeing in the community with initiatives such as 'Kiwis thinking about health' and 'Aussies thinking about health' online education and advocacy programmes.
- We actively manage the risks associated with the sale and distribution of pharmaceutical products.

8 DECENT WORK AND ECONOMIC GROWTH

DECENT WORK AND ECONOMIC GROWTH

- We have grown revenue and earnings over two decades creating jobs and new opportunities for our people.
- We are now delivering sustainable earnings that are driving increases in shareholder value and giving us new resources to support growth.
- Our products are diversified across a broad range of customers including hospitals, prescriptions and general over the counter medicines.
- We are committed to upskilling our staff to ensure AFT can meet the challenges in the competitive international pharmaceuticals sector.
- We promote a workplace culture that emphasises accountability of its leaders to cultivate a culture of inclusion in which the strengths of every individual are recognised and valued.
- We are reviewing all our suppliers to ensure compliance with Australia's Modern Slavery Act.

Easing weary eyes amid the West Australian bushfires

While the 2020/21 summer fire season was not as serious as the fires that devastated the East Coast of Australia in the 2019/20 season, fires continued to wreak havoc across the country. Building on traditions established in prior years, AFT continued to support fire fighters. This year we provided fire fighters at the Murdoch Fire Station in Perth with the donation of Hylo Fresh and Hylo Forte eye drops and Nova Tears. The drops helped relieve the eye irritation that came with the long hours among the smoke and heat.

International assistance constrained by the pandemic

AFT each year seeks to contribute to reducing health inequalities in developing nations. With the support of charities, we help to deliver healthcare that developed nations take for granted.

Our efforts in the past years have been directed through four charities: the AusViet Charity Foundation, the Eyes4Everest, the Carmelite nuns in East Timor and the Wesleyan Mission to Bougainville, where we have donated medicines to support the efforts of the clinicians working to improve the lot of people in these developing nations. Sadly Covid-19 has hampered travel to these regions and constrained our efforts.

"AFT each year seeks to contribute to reducing health inequalities in developing nations"

UN SUSTAINABLE DEVELOPMENT GOALS

10 REDUCED INEQUALITIES

REDUCED INEQUALITIES

- We support to provide healthcare in developing nations, although our activities have been constrained in the past year due to Covid-19 travel restrictions.
- We are developing medicines for rare diseases, designated with 'orphan' status by the US Food and Drug Administration.
- We donate product to charities.

Promoting responsible antibiotic use

Antibiotic resistance, according to the World Health Organisation (WHO), is one of the top ten biggest global threats to humanity and is the focus of health authorities around the world.

In New Zealand the Capital Coast District Health Board (CCDHB) is leading health board around the country to build awareness of the threat and encourage practices to prevent the over prescription of the medicines, the chief cause of microbial resistance.

AFT, which provides a range of prescription antibiotics to health authorities across Australasia and Asia, this year provided financial support to the CCDHB's efforts during the 2020 Antibiotic Awareness week in November 2020. Under WHO's global banner 'United to Preserve Antimicrobials' the campaign held stalls and education campaigns to highlight the correct use of antibiotics.

The campaign reached out to clinicians as well as the general public and six other district health boards, to drive awareness of the critical issue. Amid the campaign CCDHB Clinical Leader for Infection Services Dr Michelle Balm (left) spoke to the Whanganui DHB on antimicrobial stewardship and was supported in taking the message to staff by the Director General of Health Dr Ashley Bloomfield (right).

The funds provided by AFT assisted with the printing and sharing of resources, the development and production of promotional products and the creation of prize packs.

"The funds provided by AFT assisted with the printing and sharing of resources, the development and production of promotional products and the creation of prize packs"

UN SUSTAINABLE DEVELOPMENT GOALS

11 SUSTAINABLE CITIES AND COMMUNITIES

SUSTAINABLE CITIES AND COMMUNITIES

- We work with government agencies to make medicines available to under-privileged groups.
- We have worked to support the communities in which we operate through initiatives such as the donation of product to fire fighters in New South Wales.

Manufacturing audits by night

A key challenge both during the lockdown - and since - has been completing Good Manufacturing Practice (GMP) audits of new manufacturing partners.

Normally, we would conduct audits in person. However, as we had many audits which had been scheduled with various licensing partners, the pandemic has forced us to adapt to undertaking live remote audits.

Remote audits, which have also been adopted by the various International health authorities, involved comprehensive planning by the auditor, AFT and the auditee, a process that typically ranges from one to five days.

Our first experience with remote auditing was with the Russian Health Authorities in mid-July 2020. This involved off-line review of documentation, virtual tours of the manufacturing facility provided through pre-recorded videos and online interviews with the responsible personnel at the manufacturing site.

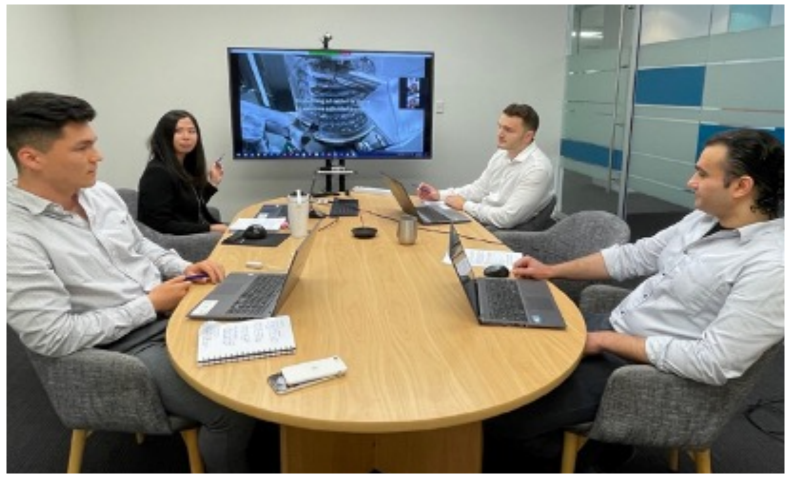
AFT provided all the technical support required in setting up the connection between the auditors and the auditee, working across multiple time zones and often saw our team working late into the night. We also managed the online upload of documents, setting up of the Zoom meetings and providing the additional training and support to the auditees.

The audit was a complete success and led to the formal Russian GMP certification of our manufacturer, ultimately leading us to the submission of the Paracetamol 500mg/Ibuprofen 150mg dossier in Russia.

Virtual auditing has allowed AFT to successfully qualify a number of our manufacturers during the year of the global pandemic and we continue to adapt to the situations as it comes.

Once travelling resumes, on-site audits will take precedence. However, this temporary solution has allowed us to continue with global supply and registration of our innovative products to help people during the difficult times we face.

> *“A key challenge both during the lockdown - and since - has been completing Good Manufacturing Practice (GMP) audits of new manufacturing partners”*



AFT staff amid a virtual audit

UN SUSTAINABLE DEVELOPMENT GOALS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

INDUSTRY, INNOVATION AND INFRASTRUCTURE

- We innovate to deliver new medicines and new forms of delivery including our NasoSurf delivery technology.
- We identify health needs among the populations we serve and through research and partnerships bring new products to consumers meet those needs.

Governance

DRIVING BEST PRACTICE GOVERNANCE STANDARDS

The Board and management of AFT Pharmaceuticals Limited (AFT or the Company) are committed to ensuring that AFT maintains corporate governance practices in line with best practice and adheres to the highest ethical standards.

The Board has had regard to the NZX Listing Rules and a number of corporate governance recommendations when establishing its governance framework, including the Third and Fourth Editions of the Australian Securities Exchange (ASX) Corporate Governance Council Principles and Recommendations (notwithstanding AFT is not required to follow these recommendations due to its ASX Foreign Exempt Listing) and the current NZX Corporate Governance Code (NZX Code).

The NZX Listing Rules require AFT to formally report its compliance against the recommendations contained in the NZX Code. How AFT has implemented these recommendations is set out in AFT's Corporate Governance Statement. Except to the extent outlined in the Corporate Governance Statement, the Board considers that AFT's corporate governance structures, practices and processes have followed all of the recommendations in the NZX Code in the financial year to 31 March 2021.

AFT's Corporate Governance Statement and governance charters and policies can be found on the investor centre of the Company's website **investors.aftpharm.com/Investors/**

AFT's corporate governance charters and policies have been approved by the Board and are regularly reviewed by the Board and amended (as appropriate) to reflect developments in corporate governance practices.

Stock Exchange Listings

AFT is listed on the NZX Main Board and on the Australian stock exchange (ASX) as an ASX Foreign Exempt Listing. As an ASX Foreign Exempt Listing, AFT needs to comply with the NZX Listing Rules (other than as waived by NZX) but does not need to comply with the vast majority of the ASX Listing Rule obligations.

AFT is incorporated in New Zealand.

UN SUSTAINABLE DEVELOPMENT GOALS

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

PEACE JUSTICE AND STRONG INSTITUTIONS

- We strive to deliver corporate governance practices that are aligned with best practice, the highest ethical standards.
- We work closely with national health regulators around the world to obtain approvals of our products.

17 PARTNERSHIPS FOR THE GOALS

PARTNERSHIPS FOR THE GOALS

- We have more than 20 global partnerships to bring our pharmaceuticals to market.

AFT pharmaceuticals
Working to improve your health

DIRECTORS

AFT has an experienced and balanced Board with a diverse range of skills. The Board comprises an independent Chairman, three other independent directors, one non-executive director and two executive directors. Their names and information about their skills, experience and background, together with information about AFT's management team, are set out below and on the following pages.

David Flacks

CHAIRMAN AND INDEPENDENT DIRECTOR

Appointed 22 June 2015

David has a number of governance roles and has been chair of AFT since the IPO in 2015. He is chair of the Suncorp New Zealand group of companies and Harmoney Corp. He is also a director of Todd Corporation and a number of environmentally focused pro bono organisations.

He is a former chair of the NZ Markets DisciplinaryTribunal and the NZX Regulatory Governance Committee and a former member of the Takeovers Panel. He is also a director of boutique corporate law firm Flacks & Wong.

David was for many years a senior corporate partner at Bell Gully and was general counsel and company secretary of Carter Holt Harvey during the 1990's. He is a law graduate from Cambridge University.

Dr Hartley Atkinson

FOUNDER, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Appointed 4 September 1997

Hartley founded AFT in 1997. Before founding AFT, Hartley worked at Swiss multinational pharmaceutical company, Roche, for eight years where he held positions as Sales & Marketing Director, Medical Director, Product Manager and Medical Manager.

Prior to his work at Roche, Hartley was a Drug Information Pharmacist and Researcher at the Department of Clinical Pharmacology, Christchurch Hospital. Hartley is the author of a number of scientific publications. Hartley's work has been published in the prestigious The New England Journal of Medicine.

Hartley holds a doctorate in Pharmacology, a Masters in Pharmaceutical Chemistry with distinction, and a Degree in Pharmacy, all from the University of Otago.

Marree Atkinson

EXECUTIVE DIRECTOR AND CHIEF OF STAFF

Appointed 4 September 2012

Marree has been involved in all aspects of AFT's business since its establishment in 1997, including roles in sales, regulatory affairs, customer services and logistics.

Marree's role as Chief of Staff sees her involved in the day-to-day running of AFT's head office including managing staffing requirements and special projects involving AFT's head and affiliate offices.

Marree is a registered nurse previously practising at Waikato Hospital.

Anita Baldauf

INDEPENDENT DIRECTOR

Appointed 4 November 2020

Anita joins AFT with a broad and international experience in FMCG and Corporate Finance. Her 22 year career at Nestlé and l'Oréal (Laboratoires innéov), mostly as CFO in multiple developed and developing countries, gave her a rich expertise in finance and investor relation, compliance and governance, international business as well as people development, and value based leadership.

Anita is impassioned about driving impact, particularly in the area of Wellbeing and mental health. She is an EHF Fellow, where she is advising and supporting New Zealand and international start-ups and impact ventures as they navigate through the challenges of exponential change, rapid growth, and their aim for impact and sustainability.

Dr John Douglas (Doug) Wilson

INDEPENDENT DIRECTOR

Appointed 4 September 2012

Doug was a New Zealand physician and academic. He joined a major international pharmaceutical company, Boehringer Ingelheim, working in their US subsidiary, becoming their Head of Medical Research and Regulatory Affairs, the interface with FDA, playing a major role in steering 10 drugs through the FDA to the US and global markets. He moved to Head Office in Germany, being responsible for those same functions for worldwide drug development. He chaired the company's International Medical Committee overseeing the medical aspects of all drugs in development globally, and their Internal Labeling Committee for the drugs on the worldwide market.

He was the medical parent of Spiriva, a drug for Chronic Obstructive Pulmonary Disease (COPD) one of the major global killers. The drug last year sold $5 billion. He now consults internationally on new drugs in development, and for pharmaceutical

Jon Lamb

INDEPENDENT DIRECTOR

Appointed 4 September 2012

Jon has led the strategic planning, marketing and restructuring of various companies throughout his career. He has held various roles at Beecham (a multinational pharmaceutical company that would later merge with a predecessor company to GlaxoSmithKline) including CEO in New Zealand and Marketing Manager in both Australia and South Africa. He has also held roles as CEO of Nylex in New Zealand, Managing Director within the Rural Division of Fletcher Challenge, Director of Southland Frozen Meats and Marketing Director of the New Zealand Kiwifruit Marketing Board (where he was responsible for creating the Zespri brand of kiwifruit, and restructuring Zespri into a retail focussed operation).

More recently, Jon was a Director of Vrionyx, a New Zealand company that developed an antiviral drug designed to combat AIDS. He was Deputy Chair of Australian diagnostic company ATF Group that developed a real time tool for measuring the Hepatitis B virus in individual patients.

Jon has been involved with AFT since 2004, firstly as a consultant, and then in his current capacity as a director. Jon is a Member of the Institute of Directors and has a Diploma from the Marketing Institute of the UK (now the Chartered Institute of Marketing).

Dr James (Jim) Burns

IINDEPENDENT DIRECTOR

Appointed 17 September 2015

Jim has extensive executive experience in pharmaceuticals, biotechnology, medical devices, and diagnostics. Jim has served in leadership roles at large multinational corporations, early-stage companies, venture capital funds and private equity. Jim currently serves as Chairman and President of Phenomics Health, a precision medicine company focused on neuropsychiatric, cardiovascular, and pain disorders. He previously served as Chairman of the Board, Executive Chairman and Chief Executive Officer of Assurex Health, acquired by Myriad Genetics in 2016; President & CEO of cancer drug development company CASI Pharmaceuticals; President of MedPointe Pharmaceuticals, a specialty pharmaceutical company; President & CEO of biotechnology company Osiris Therapeutics; General Partner of Healthcare Ventures; Group President of Becton Dickinson, a global medical device company; and Partner at Booz & Company, an international strategy consulting firm.

Jim is a Board Leadership Fellow of the National Association of Corporate Directors (NACD) and Chairman of Mobility Health. Jim earned B.S. and M.S. degrees in biological sciences from the University of Illinois, an M.B.A. from DePaul University, and a D.L.S. from Georgetown University.

Dr Ted Witek

INDEPENDENT DIRECTOR

Appointed 23 December2020

Ted served Boehringer Ingelheim Pharmaceuticals for nearly 25 years where he held various pharmacology and clinical research positions, including Director of Respiratory and Immunology Clinical Research leading to his roles as President and CEO of Boehringer Ingelheim's Canadian and Portugese operations. He led the Global Operating Team for Spiriva serving as Co-Chair of the Global Alliance with Pfizer.

Ted also was Chief Scientific Officer & Senior Vice President, Corporate Partnerships, at Innoviva (Formerly Theravance, Inc.). He also served on the Board of Directors of Canada's Research-Based Pharmaceutical Companies (Rx&D) including Chair of the Health Technology Assessment and Public Relations Committee. He was appointed to the Ontario Health Innovation Council and advisor to the Design for Health Program at OCAD University. He is currently an Adjunct Professor & Senior Fellow at the University of Toronto's School of Public Health & Leslie Dan Faculty of Pharmacy. He serves as Director of the DrPH program. Dr. Witek is the author of more than 100 scientific papers as well as several chapters and books.

Ted holds a Doctor of Public Health from Columbia University and a Master of Public Health from Yale University and an MBA from Henley Management College in the UK.

AFT pharmaceuticals
Working to improve your health

Malcom Tubby

CHIEF FINANCIAL OFFICER

Malcolm is a qualified Chartered Accountant in the United Kingdom and New Zealand with a wealth of senior corporate governance expertise in the commerce sector including roles in significant public companies as Chief Financial Officer. He has experience

in senior positions in public and private companies in pharmaceuticals, beverages, insurance and aged care facilities in Australia and New Zealand. Malcolm has been involved in the AFT Board since its foundation. Malcolm is also the CFO for AFT Pharmaceuticals.

Ioana Stanescu

HEAD OF DRUG DEVELOPMENT

Ioana has overall responsibility for the research & development functions of the company. She has more than 20 years' experience in the pharmaceutical industry with previous positions, including VP QA & Regulatory Affairs, Head of Vaccine Business Area at FIT Biotech Ltd, and a World Health Organisation adviser performing institutional assessments of National Regulatory Authorities within Central and Eastern Europe. She has coordinated a variety of European FP6 and FP7 funded research grants. In 1999 she was selected as an Expert by the European Health Committee - Council of Europe to participate in the coordinated research study of viral inactivation of labile blood products. She is also a Member of the European QP Association.

Vladimir Illievski

REGULATORY AFFAIRS MANAGER

Vladimir was born and raised in Macedonia. He holds a master's degree in Pharmacy from the University of Ljubljana, Slovenia, where he started his career as a pre-clinical researcher before moving to New Zealand. Prior to joining AFT Pharmaceuticals, Vladimir worked for Douglas Pharmaceuticals in various roles including as QC and QA analyst and regulatory/senior regulatory associate. He joined AFT Pharmaceuticals in 2006 as Regulatory Affairs Manager. Vladimir has responsibility for product registrations in various countries such as New Zealand, Australia, South-East Asia (Malaysia, Singapore, Hong Kong, Philippines) as well as the European Union and USA.

Louise Clayton

DIRECTOR INTERNATIONAL BUSINESS

Louise Louise has worked with brands within the supplement, OTC, Health, and Beauty Channels. Her experience has given her the opportunity to drive international brands through a variety of management roles encompassing sales, brand marketing, product sourcing/ new product development, and new market expansion. She has over 20 years' functional experience with International business, key accounts, sales and marketing teams, with a core focus on brand growth and development within local and International markets such as Australia, US, Asia, UK, and ROW.

MANAGEMENT TEAM

Calvin Mackenzie

GENERAL MANAGER AUSTRALIA

Calvin joined AFT in February 2010 and has since led AFT's Australian team and is responsible for AFT's business in Australia. Calvin has over 20 years' experience in the pharmaceutical industry in a diverse range of roles with a pharmacy, medical and specialist focus for brand originator and generic companies including Johnson & Johnson, Janssen Cilag, Arrow and Sigma. Calvin has significant experience in building high-performing sales teams.

Scott Crawford

GENERAL MANAGER – PROMOTED PRODUCTS AUSTRALASIA

Scott joined AFT in March 2013 and is responsible for the OTC sales in New Zealand across all retail channels including pharmacy, supermarkets and petrol & convenience. His role involves the account management, field supervision and trade marketing. Scott has over 20 years' experience in fast- moving consumer goods in both Australia and New Zealand and has previously held roles with Red Bull and Ferrero Rocher.

Murray Keith

GROUP MARKETING MANAGER

Murray joined AFT in October 2011 and has since been responsible for managing the marketing function of AFT, with a primary focus on the Australian and New Zealand markets. His extensive marketing career prior to joining AFT includes roles within Nestlé, Lion Nathan, Bay of Plenty Rugby, Nestlé Purina, New Zealand Lotteries and Fonterra Brands (Tip Top).

Non-GAAP financial information:

AFT has used non-GAAP measures when discussing financial performance in this document including underlying profit after tax and underlying operating profit. The directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate capital.

Definitions:

Underlying profit after tax:	Profit after tax less significant one-off non-recurring gain.
Underlying operating profit:	Operating profit less significant one-off non-recurring gain.

Non-GAAP measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP 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 Pharmaceuticals in accordance with NZ IFRS.

The non-GAAP measures are not subject to audit or review.

GAAP to Non-GAAP Reconciliation:

	Year Ended 31 March	
	2021	2020
NZ$000's	$'000	$'000
Underlying profit after tax	**7,782**	**2,908**
Add back/(subtract):		
Gain on derecognition of equity accounted investment and recognition of net assets acquired at fair value in a step acquisition[1]	-	9,784
Profit after tax	**7,782**	**12,692**
Underlying operating profit	***10,708***	***11,422***
Add back/(subtract):		
Gain on derecognition of equity accounted investment and recognition of net assets acquired at fair value in a step acquisition[1]	-	9,784
Operating profit	**10,708**	**21,206**

[1] On 5 July 2019 AFT took full control of the Pascomer dermatological medicine intellectual property and booked a one-off non-cash non-recurring gain in profit as part of the transaction.

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

Deloitte.

Independent Auditor's Report

To the Shareholders of AFT Pharmaceuticals Limited

Opinion

We have audited the consolidated financial statements of AFT Pharmaceuticals Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 March 2021, and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 40 to 73, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Company or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be $1 million.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Recoverability of the Pascomer IP	
As disclosed in note 11, the Group has intellectual property with a carrying value of $12.5m in relation to the Pascomer product at 31 March 2021. The recoverability of the intellectual property associated with the Pascomer product depends upon successful clinical trials and product registration in the United States and in Europe. The recoverable amount of the intellectual property associated with the Pascomer product is determined based on fair value less costs of disposal, using a risk-adjusted net present value model (excluding any terminal value), which takes into account the inherent uncertainties of both the successful conclusion of the clinical trials and registration. The net present value models also include significant unobservable inputs, including forecast financial performance, discount rate and growth rates. We identified this as a key audit matter because of the significance of the intellectual property to the Group's consolidated financial statements and the judgment involved in determining the recoverable amount of the Pascomer IP.	We evaluated the Group's assessment for the Pascomer IP. In performing our procedures to address the key audit matter, we: a) Assessed the design and implementation of relevant controls; b) Performed corroborative inquiry with management in relation to the key judgments made in the assessment of the future profitability of the Pascomer Intellectual Property; c) Assessed the assumptions made by the Group on successful completion of clinical trials and successful registration by understanding the milestones achieved to date, the progress in completing the remaining milestones against the plan and the impact of Covid-19; d) Compared the forecast performance with the approved 2022 financial year budget that included the achievement of milestones; e) Challenged the inputs used in the cash flow forecasts and performed sensitivity analysis of the assumptions used by utilising our knowledge of the Group and market data; f) Assessed the independence, objectivity and competence of the valuer; g) Involved our internal valuation specialists in assessing the discount rate and valuation methodology for reasonableness in comparison to independent market data; h) Considered whether events or transactions that occurred after the balance sheet date but before the reporting date affect the conclusions reached on the carrying value of the asset and associated disclosure; and i) Tested the risk-adjusted net present value model for its arithmetic accuracy.

Other information

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is

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necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Jason Stachurski
Partner
for Deloitte Limited
Auckland, New Zealand
24 May 2021

This audit report relates to the consolidated financial statements of AFT Pharmaceuticals Limited (the 'Company') for the year ended 31 March 2021 included on the Company's website. The Directors are responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 24 May 2021 to confirm the information included in the audited consolidated financial statements presented on this website.

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 March 2021

	Note	2021 $'000	2020 $'000
Revenue	4	113,105	105,597
Cost of sales		(64,364)	(57,332)
Gross profit		**48,741**	**48,265**
Other income	5	626	535
Selling and distribution expenses		(27,438)	(26,203)
General and administrative expenses		(7,784)	(9,111)
Research and development expenses		(3,437)	(1,984)
Gain on derecognition of equity accounted investment and recognition of net assets acquired at fair value in a step acquisition		-	9,784
Equity accounted loss of joint venture entity		-	(80)
Operating profit		**10,708**	**21,206**
Finance income		4	22
Interest costs		(3,441)	(6,958)
Other finance (costs)/gain	6	616	(1,393)
Profit before tax		**7,887**	**12,877**
Tax expense	12	(105)	(185)
Profit after tax attributable to owners of the parent		**7,782**	**12,692**
Earnings per share			
Basic and diluted ($)	17	$0.07	$0.12

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Note	2021 $'000	2020 $'000
Profit after tax		**7,782**	**12,692**
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Foreign exchange difference on translation of foreign operations		29	(79)
Other comprehensive income / (loss) for the year, net of tax		**29**	**(79)**
Total comprehensive income		**7,811**	**12,613**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2021

	Note	Share capital $'000	Redeemable preference shares reserve $'000	Share options reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total equity $'000
Balance 31 March 2019		**63,743**	**1,241**	**682**	**431**	**(61,006)**	**5,091**
Profit after tax		-	-	-	-	12,692	12,692
Other comprehensive income		-	-	-	(79)	-	(79)
Total comprehensive income		**-**	**-**	**-**	**(79)**	**12,692**	**12,613**
Preference dividends accumulated		-	428	-	-	-	428
Issue of share capital		3	-	-	-	-	3
Movement in share options reserve		-	-	81	-	33	114
Preference dividends paid or accumulated		-	-	-	-	(994)	(994)
Balance 31 March 2020		**63,746**	**1,669**	**763**	**352**	**(49,275)**	**17,255**
Profit after tax		-	-	-	-	7,782	7,782
Other comprehensive income		-	-	-	29	-	29
Total comprehensive income		**-**	**-**	**-**	**29**	**7,782**	**7,811**
Conversion of preference shares	16	1,669	(1,669)	-	-	-	-
Issue of share capital	16	12,389	-	-	-	-	12,389
Capital raising expenses	16	(723)	-	-	-	-	(723)
Movement in share options reserve		116	-	(489)	-	417	44
Preference dividends paid		-	-	-	-	(188)	(188)
Balance 31 March 2021		**77,197**	**-**	**274**	**381**	**(41,264)**	**36,588**

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

CONSOLIDATED BALANCE SHEET
For the year ended 31 March 2021

	Note	2021 $'000	2020 $'000
ASSETS			
Current assets			
Inventories	9	33,654	22,734
Trade and other receivables	8	31,039	25,969
Cash and cash equivalents		3,209	6,119
Derivative assets	22	-	514
Total current assets		**67,902**	**55,336**
Non-current assets			
Property, plant and equipment	10	305	315
Intangible assets	11	32,720	26,984
Right of use assets	10	3,481	3,712
Deferred income tax assets	12	724	705
Total non-current assets		**37,230**	**31,716**
Total assets		**105,132**	**87,052**
LIABILITIES			
Current liabilities			
Trade and other payables	14	21,329	18,292
Provisions	15	4,461	4,195
Lease liabilities		614	506
Current income tax liability		-	109
Derivative liabilities	22	537	-
Interest bearing liabilities	13	5,161	2,000
Total current liabilities		**32,102**	**25,102**
Non-current liabilities			
Lease liabilities		3,242	3,495
Interest bearing liabilities	13	33,200	41,200
Total non-current liabilities		**36,442**	**44,695**
Total liabilities		**68,544**	**69,797**
EQUITY			
Share capital	16	77,197	63,746
Retained earnings/(losses)		(41,264)	(49,275)
Share options reserve	19	274	763
Redeemable preference shares reserve		-	1,669
Foreign currency translation reserve		381	352
Total equity		**36,588**	**17,255**
Total liabilities and equity		**105,132**	**87,052**

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

On behalf of the Board

24 May 2021

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2021

	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	109,823	99,165
Payments to suppliers and employees	(108,903)	(84,064)
Tax paid	(170)	(223)
Net cash generated from operating activities	**750**	**14,878**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(93)	(92)
Purchase of intangible assets	(6,138)	(6,470)
Net cash used in investing activities	**(6,231)**	**(6,562)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	12,396	3
Bank Overdraft	1,638	-
Capital raising cost paid	(723)	-
Dividends paid	(188)	(566)
Payment for lease liabilities	(630)	(535)
New borrowings	-	58,200
Borrowings repaid	(6,500)	(60,320)
Interest received	4	22
Interest paid on lease liabilities	(295)	(299)
Interest costs paid on borrowings	3,180	(5,601)
Finance costs paid	-	(22)
Net cash (used in)/generated from financing activities	**2,522**	**(9,118)**
Net decrease in cash	(2,959)	(802)
Impact of foreign exchange on cash and cash equivalents	49	5
Opening cash and cash equivalents	6,119	6,916
Closing cash and cash equivalents	**3,209**	**6,119**

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

RECONCILIATION OF PROFIT AFTER TAX WITH NET CASH FLOW FROM OPERATING ACTIVITIES
For the year ended 31 March 2021

	2021 $'000	2020 $'000
Profit after tax	7,782	12,692
Non-cash items		
Depreciation	103	122
Depreciation ROU assets	716	692
Amortisation	285	286
Impact of foreign exchange on cash and cash equivalents	49	5
Share options expense	44	114
Interest on lease liabilities	295	299
Interest and finance expense	3,155	6,681
Unrealised (gain)/loss on foreign currency movements	(58)	2,486
Provision for tax	19	223
Interest received	(4)	(22)
Share of loss of JV entity	-	80
Gain on derecognition of equity accounted investment and recognition of net assets acquired at fair value in a step acquisition	-	(9,784)
Movement in working capital		
(Increase)/decrease in inventories	(10,920)	2,425
Increase in trade and other receivables and derivative assets	(4,556)	(7,297)
Increase in trade and other payables, provisions and derivative liabilities	3,840	5,876
Net cash generated from operating activities	**750**	**14,878**

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2021

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 a company that 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 consolidated financial statements were approved for issue by the Board of Directors on 24 May 2021.

2. BASIS OF PREPARATION AND PRINCIPLES OF CONSOLIDATION

Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with the requirements of the Companies Act 1993, Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013. As the Group consolidated financial statements are prepared and presented for the Parent and its subsidiaries, separate financial statements for the Company are not required to be prepared under the Companies Act 1993.

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

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.
- 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 year 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.

New accounting standards and amendments effective during the year

All mandatory amendments have been adopted in the current year. None had a material impact on these financial statements.

New and revised standards in issue but not yet effective

There are a number of standards, amendments and interpretations which have been approved but are not yet effective. The Group expects to adopt these when they become mandatory. None are expected to result in a material impact on the Group's financial statements.

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.

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 New Zealand, Australian and Malaysian GST. All items in the balance sheet are stated net of GST, with the exception of accounts receivable and payable which include GST invoiced. All components of the statement of cash flows are stated exclusive of GST.

3. SIGNIFICANT TRANSACTIONS AND EVENTS IN THE FINANCIAL YEAR

No significant transactions and events occurred during the year.

NOTES TO THE FINANCIAL STATEMENTS (*Continued*)

For the year ended 31 March 2021

4. REVENUE FROM OPERATIONS

	2021 $'000	2020 $'000
Sale of goods	110,736	101,416
Royalty income	244	356
Licensing Income	2,125	3,825
Total revenue from operations	**113,105**	**105,597**

AP

Revenue comprises the fair value for:

- The sale of goods, excluding Goods and Services Tax and discounts, which are recognised when control of the product is transferred to the customer.
- Royalties owing on licensees' sale of product which are recognised when licensee has sold the product.
- Licensing income, which is recognised when the Group has completed substantially all of its obligations under the licensing agreement and through until the expected finalisation of the event. The Group's obligations are the provision of territorial rights to its intellectual property and the provision and support of the documentation required to enable registration of the product in the territory.

5. SEGMENT REPORTING

	Operating Segments				
	Australia $'000	New Zealand $'000	Asia $'000	Rest of World $'000	Total $'000
31 March 2021					
Revenue - Sale of goods	68,266	30,526	4,411	7,533	110,736
Revenue - Royalties	-	-	-	244	244
Revenue - Licensing	-	-	-	2,125	2,125
Total revenue	**68,266**	**30,526**	**4,411**	**9,902**	**113,105**
Other income	-	193	-	433	626
Depreciation - ROU assets	424	292	-	-	716
Depreciation - Other	25	80	1	-	106
Amortisation	-	285	-	-	285
Operating profit	**7,919**	**(69)**	**1,450**	**1,408**	**10,708**
Finance income	-	4	-	-	4
Interest expense - Loans	(656)	(2,409)	(81)	-	(3,146)
Interest expense - ROU liabilities	(91)	(204)	-	-	(295)
Other finance gains/(losses)	417	411	(212)	-	616
Profit / (loss) before tax	**7,589**	**(2,267)**	**1,157**	**1,408**	**8,887**
Income tax	(32)	(73)	-	-	(105)
Profit / (loss) after tax	**7,557**	**(2,340)**	**1,157**	**1,408**	**7,782**
Total assets	**39,522**	**52,984**	**20**	**12,496**	**105,022**
ROU assets	960	2,521	-	-	3,481
Property plant and equipment	46	257	2	-	305
Pascomer IP	-	-	-	12,500	12,500
Other intangible assets	-	0	-	20,337	20,337
Total liabilities	**5,852**	**60,831**	**1,861**	**-**	**68,544**
Capital expenditure	**27**	**65**	**-**	**-**	**92**

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2021

	Operating Segments				
	Australia $'000	New Zealand $'000	Asia $'000	Rest of World $'000	Total $'000
31 March 2020					
Revenue - Sale of goods	61,428	30,108	4,930	4,950	101,416
Revenue - Royalties	-	-	-	356	356
Revenue - Licensing	-	-	-	3,825	3,825
Total revenue	**61,428**	**30,108**	**4,930**	**9,131**	**105,597**
Other income	-	-	-	535	535
Depreciation - ROU assets	409	283	-	-	692
Depreciation - Other	30	88	4	-	122
Amortisation	-	286	-	-	286
Gain on derecognition of equity accounted investment and recognition of net assets acquired at fair value in a step acquisition	-	-	-	9,784	9,784
Equity accounted loss of joint venture entity	-	-	-	(80)	(80)
Operating profit	**7,278**	**(205)**	**93**	**14,040**	**21,206**
Finance income	-	22	-	-	22
Interest expense - Loans	(965)	(5,626)	(68)	-	(6,659)
Interest expense - ROU liabilities	(83)	(216)	-	-	(299)
Other finance gains/ (losses)	(973)	(547)	127	-	(1,393)
Profit / (loss) before tax	**5,257**	**(6,572)**	**152**	**14,040**	**12,877**
Income tax	-	(185)	-	-	(185)
Profit / (loss) after tax	**5,257**	**(6,757)**	**152**	**14,040**	**12,692**
Total assets	**25,163**	**34,873**	**32**	**26,984**	**87,052**
ROU assets	973	2,739	-	-	3,712
Other property plant and equipment	40	271	4	-	315
Pascomer IP	-	-	-	12,500	12,500
Other intangible assets	-	-	-	14,484	14,484
Total liabilities	**7,892**	**61,897**	**8**	**-**	**69,797**
Capital expenditure	**20**	**67**	**5**	**-**	**92**

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 Southeast Asian market (Brunei, China, Hong Kong, Malaysia, Philippines, Singapore and Vietnam).
- **Rest of World** – Includes the out-licensing of IP developments to markets in which the Group does not have a presence and the export of products to export markets. The costs of research and development and new market development activity not specific to the other segments are expensed to this segment.
- **Major Customers** – Revenues from one customer of the Australian segment (being a licensed wholesaler) represents approximately NZ$30.3m (2020: NZ$24.4m) and from one customer of the New Zealand segment (also being a licensed wholesaler) represents approximately NZ$15.6m (2020: NZ$15.2m) of the Group's total revenues.

AP

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

Other income comprises research and development and international growth grants and other income.

Research and development grant

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

International growth grant

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

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2021

6. NET OPERATING PROFIT

	Note	2021 $'000	2,020 $'000
Profit before tax		**7,887**	**12,877**
After charging the following specific expenses			
Finished goods materials		63,521	56,626
Inventory write off		843	706
Audit fees and review of financial statements	7	353	240
Short term rental expenses - premises		132	50
Share options expense		45	114
Short term employee emoluments [1]			
Selling and distribution expenses		7,314	6,525
General and administration expenses		2,499	2,162
Research and development expenses		1,899	1,613
		11,712	**10,300**
Research and development expenses			
Business development		74	333
New market development		1,441	1,651
		1,515	**1,984**
Depreciation			
Plant and machinery		82	92
Furniture and fittings		18	24
Vehicles		3	6
ROU equipment		56	54
ROU vehicles		327	319
ROU buildings		333	319
		819	**814**
Amortisation			
Patents		156	142
Software		17	34
Development costs		40	40
Registration costs		72	70
		285	**286**
Finance costs			
Interest on borrowings		3,146	6,659
Interest on ROU liabilities		295	299
Foreign exchange losses/(gains)		(239)	2,127
Derivative losses/(gains)		(360)	(756)
Other financing costs/(gains)		(17)	22
		2,825	**8,351**
[1] This includes contributions recognised as an expense for defined contributions		569	361

7. FEES PAID TO AUDITORS

	2021 $'000	2020 $'000
Audit of financial statements		
Audit of annual financial statements (NZ)	198	208
Audit of annual financial statements (AU)	117	
Review of interim financial statements	38	32
Review of Callaghan claim	12	12
Total fees for audit and review services	**353**	**252**
Other services		
Tax due diligence services - Deloitte	4	14
Total fees paid to Deloitte	**357**	**266**

8. TRADE AND OTHER RECEIVABLES

	2021 $'000	2020 $'000
Trade receivables	34,973	26,861
Provision for bad debt	-	(32)
Less provision for customer rebates	(5,746)	(4,202)
Prepayments and sundry debtors	1,812	3,342
Total trade and other receivables	**31,039**	**25,969**

Ageing of overdue trade debtors	1-30 Days $'000	31-60 Days $'000	61-90 Days $'000	90+ Days $'000	Total $'000
31 March 2021	5,300	183	106	265	5,854
31 March 2020	2,829	378	171	480	3,858

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

The expected credit loss (ECL) allowance provision has been determined as follows:

As at 31 March 2021	Current $'000	+1 Month $'000	>+1 Month $'000	Total $'000
Expected loss rate	*	*	0.03%*	-
Gross carrying amount	29,119	5,300	554	34,973
Expected credit loss allowance provision	-	-	-	-
Short term loss allowance provision	-	-	-	-
Long term loss allowance provision	-	-	-	-

As at 31 March 2020	Current $'000	+1 Month $'000	>+1 Month $'000	Total $'000
Expected loss rate	*	*	0.03%*	-
Gross carrying amount	23,003	2,829	1,029	26,861
Expected credit loss allowance provision	-	-	32	32
Short term loss allowance provision	-	-	-	-
Long term loss allowance provision	-	-	32	32

*Expected credit losses are negligible.
The average credit period on sale of goods is 41 days (2020: 46 days). No interest is charged on outstanding trade receivables.
The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2021

AP

The Group has applied the simplified approach to providing for expected credit losses, which requires the recognition of a lifetime expected loss provision for trade and other receivables. NZ IFRS 9 requires the Group to consider future potential credit losses and consider items such as forecasted economic conditions.

The Group does not expect any significant expected credit losses due to the nature of the distribution and regulatory licensing structure of the industry.

E

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as forecast direction of conditions at the reporting date.

As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

No bad debt expense has been recorded for the current year (2020: nil).

9. INVENTORIES

	2021 $'000	2020 $'000
Inventory on hand	34,124	23,692
Provision for obsolescence	(470)	(958)
Total inventories	**33,654**	**22,734**

Inventory on hand comprises pharmaceutical goods ready for resale.

The value of inventory is transferred to cost of sales in the income statement when sold.

In order to reduce supply chain risks, the Group purchases from multiple manufacturing sites across different geographies for its main products such as Maxigesic. During the period, the Group increased average stock holdings to between five and six months as an additional safeguard to mitigate against the supply chain risks associated with the pandemic.

AP

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

10. PROPERTY, PLANT & EQUIPMENT

	Plant and machinery $'000	Furniture and fixtures $'000	Vehicles $'000	ROU Buildings $'000	ROU Vehicles $'000	ROU equipment $'000	Total $'000
(a) Cost							
Balance 1 April 2019	**972**	**434**	**174**	**-**	**-**	**-**	**1,580**
Additions	88	4	-	3,472	707	186	4,457
Disposals	(37)	(5)	-	-	(15)	-	(57)
Balance at 31 March 2020	**1,023**	**433**	**174**	**3,472**	**692**	**186**	**5,980**
Additions	91	2	-	54	426	5	479
Disposals	-	-	-	(7)	(109)	(3)	-
Balance at 31 March 2021	**1,114**	**435**	**174**	**3,519**	**1,009**	**188**	**6,459**
(b) Depreciation							
Balance 1 April 2019	**(806)**	**(273)**	**(144)**	**-**	**-**	**-**	**(1,223)**
Additions	(92)	(24)	(6)	(319)	(319)	(54)	(814)
Disposals	28	2	-	-	54	-	84
Balance at 31 March 2020	**(870)**	**(295)**	**(150)**	**(319)**	**(265)**	**(54)**	**(1,953)**
Additions	(82)	(18)	(3)	(333)	(327)	(56)	(819)
Disposals	-	-	-	7	109	3	-
Balance at 31 March 2021	**(952)**	**(313)**	**(153)**	**(645)**	**(483)**	**(107)**	**(2,772)**
(c) Carrying amounts							
Balance at 31 March 2020	**153**	**138**	**24**	**3,153**	**427**	**132**	**4,027**
Balance at 31 March 2021	**162**	**122**	**21**	**2,874**	**526**	**81**	**3,786**

NOTES TO FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2021

AP

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 consolidated income statement during the financial period in which they are incurred.

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

Category	Depreciation rate (%)
Plant and Machinery	21% to 80%
Furniture and fittings	9% to 60%
Vehicles	26% to 36%

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

Gains and losses on disposal are determined by comparing proceeds to carrying amounts and are included in the consolidated income statement.

AP

Lease accounting

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (leases less than 12 months duration), and leases of low value assets. For these leases the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. This expense is presented within general and adminstrative expenses in the consolidated income statement.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to a change in a floating interest rate, in which case a revised discount rate is used)
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2021

11. INTANGIBLE ASSETS

	Pascomer IP $'000	Trademarks $'000	Capitalised registration $'000	Capitalised development $'000	Patents $'000	Software $'000	Total $'000
(a) Cost							
Balance at 1 April 2019	**-**	**805**	**1,430**	**3,917**	**2,722**	**532**	**9,406**
Additions	-	193	903	5,840	292	1	7,229
Additions from business combinations	12,500	-	-	-	-	-	12,500
Disposals	-	(262)	(436)	-	-	-	(698)
Balance at 31 March 2020	**12,500**	**736**	**1,897**	**9,757**	**3,014**	**533**	**28,437**
Additions	-	73	2,728	2,994	226	-	6,021
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2021	**12,500**	**809**	**4,625**	**12,751**	**3,240**	**533**	**34,458**
(b) Amortisation							
Balance at 1 April 2019	**-**	**-**	**-**	**(22)**	**(680)**	**(465)**	**(1,167)**
Amortisation	-	-	(70)	(40)	(142)	(34)	(286)
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2020	**-**	**-**	**(70)**	**(62)**	**(822)**	**(499)**	**(1,453)**
Amortisation	-	-	(72)	(40)	(156)	(17)	(285)
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2021	**-**	**-**	**(142)**	**(102)**	**(978)**	**(516)**	**(1,738)**
(c) Carrying amounts							
Balance at 31 March 2020	**12,500**	**736**	**1,827**	**9,695**	**2,192**	**34**	**26,984**
Balance at 31 March 2021	**12,500**	**809**	**4,483**	**12,649**	**2,262**	**17**	**32,720**

E

Pascomer IP

The Group acquired the remaining 50% of Dermatology Specialties Limited Partner ("DSLP") and its general partner DSGP Limited, from its joint venture partner Tardimed Sciences on 5 July 2019 and these have been fully consolidated from this date. DSLP was originally formed for the development and commercialisation of the product, Pascomer, which uses the active ingredient Rapamycin for the topical treatment of indications commencing with facial angiofibromas in tuberous sclerosis.

As a result of the transaction, the Group retained the rights to the intellectual property, future product sales and royalties.

The Group also entered into an out-license agreement with Timber, under which the Group has received revenues from the upfront milestone and expects to receive future revenues from development, registration and commercial milestones as well as product sales and royalties.

Taking into account the inherent uncertainties of both the successful conclusion of clinical trials and the successful registration with orphan status, the Group has recognised the Pascomer intellectual property at its fair value of $12.5m in the prior year.

During the period, the Group has assessed the progress of Pascomer and identified that the clinical trials have been progressing positively and other than for the slow down resulting from Covid19, the Group remains confident of a successful outcome.

The Group has assessed the recoverability of Pascomer's carrying value ($12.5m) by engaging an independent registered valuer, Edison Investment Research Limited, in March 2021. The recoverable amount of Pascomer is determined based on the fair value less costs of disposal methodology, using a risk-adjusted net present value (NPV) based on a series of assumptions on the development and marketing of the product per below.

a) The period used for the discounted cash flow are broken down for two indications the drug is aiming to treat, Angiofibromas (AF) and Port Wine Stain (PWS).
   - 7 years (USA) and 10 years (Europe) for AF
   - 15 years for PWS
b) The discount rate used 12.5%
c) For AF in TSF the addressable market has been taken as 74.5% of 6,000 patients in the USA and 11,000 in Europe.
d) Growth rates are modelled using a second order differential equation based on current penetration, distance from peak penetration, and the listed rate constant with peak penetration of 20% for AF in TSF and 1.7% in the USA and 3.4% in Europe for PWS.
e) For PWS the addressable market has been taken as 1.3 million patients in the USA and 2.0 million in Europe. It is assumed there is no growth in the patient base and a peak penetration of 1.7% in the USA and 3.4% in Europe.

This valuation methodology uses significant inputs which are not based on observable market data, and therefore this valuation technique is classified as level 3 of the fair value hierarchy.

Subject to the successful clinical trials and registration in the US and Europe, the valuation indicates sufficient headroom such that a reasonably possible change to the key assumptions is unlikely to result in an impairment of the Pascomer intellectual property.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2021

AP

Research and development

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

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

Development and registration projects are regularly reviewed throughout the year by a staff committee comprising the CEO, CFO, Head of Drug Development and Financial Controller. The status of each project is measured against the requirements of NZ IAS 38 and the relevant costs incurred during the financial year are capitalised where projects meet those criteria. The criteria considered in this assessment are:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
b) the Group's intention to complete the intangible asset and use or sell it.
c) the Group's ability to use or sell the intangible asset.
d) how the intangible asset will generate probable future economic benefits. Among other things,
e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
f) the Group's ability to measure reliably the expenditure attributable to the intangible asset during its development.

Finite useful life

Acquired patents, capitalised development costs, capitalised registration costs and software have a finite life and are carried at cost less accumulated amortisation. Patents are amortised over a useful economic life of 20 years, capitalised development costs and capitalised registration costs over the period of expected benefit which is usually between 5 and 10 years, and software over 3 to 4 years.

Indefinite useful life

Acquired trademarks and the Pascomer IP are considered to have indefinite useful lives while they continue to protect revenue streams. They are carried at cost less accumulated impairment. Indefinite useful life assets are tested for impairment annually or when impairment indicators exist. The asset's carrying amount is written down immediately to it's recoverable amount if the asset's carrying amount is greater than it's estimated recoverable amount.

Impairment

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

12. INCOME TAX

	2021 $'000	2020 $'000
a) Tax expense		
Profit before tax	**7,887**	**12,877**
Tax calculated at domestic tax rates applicable	2,208	3,606
Adjustment due to different tax rates of subsidiaries operating in different jurisdictions	3,818	1,251
Tax on income not assessable	-	(2,697)
Tax on expenses not deductible	(241)	39
Tax on losses recognised	(5,804)	(2,199)
Non-resident withholding tax	124	185
Tax expense	**105**	**185**
Comprising		
Current tax	124	185
Deferred tax	(19)	-

	2021 $'000	2020 $'000
b) Deferred tax balance		
Deferred tax asset	724	705
Deferred tax asset	**724**	**705**

Deferred tax assets relating to unused tax loss carry-forwards and to Deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences. As at 31 March 2021, the Group recognised deferred tax assets on temporary differences totalling $724k (2020 $705k) since it was foreseeable that temporary differences could be offset against future taxable profits. On the basis of the approved business plans of subsidiaries, the Group considers it probable that temporary differences can be offset against future taxable profits. There is no expected change in capital structure in the near future which is expected to affect the recoverability of the recognised deferred tax assets.

The movement in deferred tax is:

	Provisions $'000	Recognised Total Tax losses $'000	Total $'000
31-Mar-19	**229**	**476**	**705**
Movements	(439)	-	(439)
Recognition of losses	-	439	439
31-Mar-20	**(210)**	**915**	**705**
Movements	19	-	19
Recognition of losses	-	-	-
31-Mar-21	**(191)**	**915**	**724**

NOTES TO FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2021

The amount of tax loss carried forward that is available for future utilization is $24,220,598 (FY2020: $44,078,210)

	$'000
c) Imputation and franking credit available to use	
NZD	-
AUD	322

AP

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively 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.

13. INTEREST BEARING LIABILITIES

	2021 $'000	2020 $'000
Current lease liabilities	614	506
Non-current lease liabilities	3,242	3,495
BNZ overdraft	1,661	-
BNZ Term loans current portion	3,500	2,000
BNZ Term loans non-current portion	33,200	41,200
Total	**42,217**	**47,201**

	2021 $'000	2020 $'000
Opening balance of CRG loan at 1 April	-	41,750
Capitalised interest	-	1,006
Repayment of principal	-	(45,320)
Loss on FX translation	-	2,564
Closing balance at 31 March	**-**	**-**
Opening balance of BNZ loan at 1 April	43,200	-
BNZ loans drawn down	-	58,200
Repayment of principal	(6,500)	(15,000)
Closing balance at 31 March	**36,700**	**43,200**

The CRG loan facilities were repaid in full on 31 March 2020.

In March 2020, the Group entered a loan agreement with BNZ for $43.2m. The BNZ loans have a general security over the assets of the Group together with a group guarantee. The new facility includes a progressive part reduction in principal over the three-year term. The loan attracts an effective interest rate of 8.48%, which is lower than the interest rates charged on the repaid CRG loan, resulting in a reduction of interest costs during the period.

The loan is partially supported by a guarantee from NZ ECO. This guarantee is reduced by the progressive principal repayments and is expected to be released by the end of the three years.

All covenants relating to the BNZ facility have been complied with during the year.
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 over the term of the borrowing.

AP

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

NOTES TO FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2021

14. TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Trade payables	14,703	8,622
GST payable	1,744	1,467
Employee entitlements	1,414	919
Other payables and accruals	3,468	7,284
Total	**21,329**	**18,292**

AP

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

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in trade payables or provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. The liability for employee entitlements that are not expected to be settled within 12 months is carried at the present value of estimated future cash flows.

15. PROVISIONS

	2021 $'000	2020 $'000
Opening balance of supplier rebates at 1 April	4,195	1,270
Provision utilised	(4,195)	(1,270)
Additional provisions required	4,461	4,195
Closing balance of supplier rebates at 31 March	4,461	4,195

AP

Supplier rebates are based on profit sharing arrangements with suppliers which are estimated on achieving expected set margin targets and are expected to be utilised within the next 12 months. These are included as an expense in cost of sales.

16. SHARE CAPITAL

Ordinary shares and redeemable preference shares are classified as equity.

	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary share capital	104,583,875	97,309,019	80,359	57,061
Less capital raising costs	-	-	(3,162)	(2,439)
Redeemable preference shares	-	3,330,000	-	9,124
Total	**104,583,875**	**100,639,019**	**77,197**	**63,746**

$NZ000's	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Share capital at beginning of the year	100,639,019	100,639,019	63,746	63,743
Issue of ordinary shares for conversion of redeemable preference shares	605,856	-	1,669	-
Issue of ordinary shares for exercised share options	139,000	-	116	-
Issue of ordinary shares for new share capital	3,200,000	-	11,666	3
Total	**104,583,875**	**100,639,019**	**77,197**	**63,746**

During the period, all 3,300,000 redeemable preference shares issued on 24 March 2017 were converted by the holders into 3,300,000 ordinary shares with an additional 605,856 ordinary shares being issued in respect of accumulated dividends on the redeemable preference shares. CRG converted their preference shares on 20 May 2020 and Atkinson Family Trust converted their preference shares on 7 August 2020. The preference shares did not carry any right to vote except at meetings of an interest group of holders of redeemable shares.

17. EARNINGS PER SHARE

	2021 $'000	2020 $'000
Earnings used in the calculation of basic and diluted earnings per share		
Profit after tax	7,782	12,692
Less redeemable preference shares dividend	(188)	(994)
Earnings for the purpose of basic earnings per share	**7,594**	**11,698**
Effect of dilutive potential ordinary shares		
Share options vested but not yet exercised	288	301
Earnings for the purpose of diluted earnings per share	**7,306**	**11,397**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**103,296,562**	**97,309,019**
Earnings per share		
Basic and diluted ($)	$0.07	$0.12

AP

Basic earnings per share is computed by dividing net earnings (after preference dividends) by the weighted average number of ordinary shares outstanding during each period.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2021

18. DIVIDENDS PER SHARE

No dividends have been declared to the ordinary shareholders during the current or prior year.

The redeemable preference shares issued on 24 March 2017 attracted a dividend rate of 9.4% per annum, or 25.8 cents per share per annum and fell due on a quarterly basis. During the period all holders of redeemable preference shares converted their preference shares into ordinary shares. Dividends up to the date of conversion were $187,574 (including withholding tax) and were paid.

19. STAFF SHARE OPTIONS

Staff share options are exercisable at the price of $2.80 each, being the issue price of a share at the time of the Company's initial listing on NZX and ASX. The vesting period is generally up to four years from date of issue however this varies according to various performance criteria. Other than in limited circumstances options are forfeited if an employee leaves the group before the options vest. The options are valued at fair value as calculated independently using the Black Scholes model.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows

	2021		2020	
	Average exercise price $ per share	Options	Average exercise price $ per share	Options
Balance at beginning of year	2.80	1,157,164	2.80	1,200,644
Issued	2.80	-	2.80	-
Forfeited	2.80	-	2.80	-
Exercised	2.80	(140,000)	2.80	(1,000)
Lapsed	0.00	(552,164)	0.00	(42,480)
Balance at end of year	**2.80**	**465,000**	**2.80**	**1,157,164**

Weighted average share price for options exercised during the period $2.37 (2020: $3.49)
Of the 465,000 outstanding options, 232,500 are currently exercisable (2020: 697,164)

Share options outstanding at the end of the year have the following expiry dates, exercise dates and exercise prices

Expiry month	Exercisable month	Exercise price	2021	2020
April-2020	December 2017	2.80	-	124,968
April-2020	December 2018	2.80	-	547,196
June-2022	March 2019	2.80	25,000	25,000
June-2022	March 2020	2.80	220,000	-
June-2022	March 2022	2.80	100,000	-
June-2022	Various	2.80	120,000	460,000
Total share options outstanding			**465,000**	**1,157,164**

The weighted average remaining contractual life of options outstanding at the end of the period was 1.2 years (2020: 1.5 years)

Share options reserve	2021 $'000	2020 $'000
Balance at beginning of year	**(763)**	**(682)**
Current year amortisation	(44)	(114)
Transferred to ordinary share capital	116	1
Options lapsed transferred to retained earnings	417	32
Balance at end of year	**(274)**	**(763)**

140,000 share options were exercised during the reporting period. The options outstanding at 31 March 2021 had a weighted average exercise price of $2.80 and a remaining average contractual life of 1.2 years. No options were granted during the year.

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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, employees at the time of the Company's initial NZX and ASX listing in December 2015 and again in June 2018 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
- 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2021

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

The Company has received notice of a potential claim from a former contractor in South East Asia. The Group's lawyers have advised that they do not consider that the claim has merit, and they have recommended that it be contested. No provision has been made in these financial statements as the Group's management does not consider that there is any probable loss.

21. COMMITMENTS

(a) Capital Commitments

The Group has no capital commitments at 31 March 2021 (2020: nil).

(b) Lease Commitments

Payments for leases with a term less than 12 months or a low value are charged in the income statement on a straight-line basis over the term of the lease. The maturities of the outstanding lease payment were as follows

	2021 $'000	2020 $'000
Maturing within one year	871	777
Maturing in one to five years	2,177	2,274
Maturing after five years	2,143	2,518
Total	**5,191**	**5,569**

The Group accounts for leases in accordance with NZ IFRS 16.

(c) Other Commitments

The Group has previously entered into contracts to complete clinical trials overseas. The contracts required payments to be made progressively when those stages or milestones are achieved. All amounts due under the contracts were paid during the current year. Amount due at 31 March 2021: nil (2020: $1.65m).

22. FINANCIAL RISK MANAGEMENT

(a) 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 and liabilities of subsidiaries, and USD denominated borrowings	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 purchases goods and services from overseas suppliers in a number of 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. Future revenues from markets outside Australasia will be denominated primarily in USD and EUR which will provide a natural hedge against these costs.

In the current year net foreign exchange gains totalled $599k (2020: $1,371k loss). The balance of gains/losses are derived from the restatement of monetary balances at the spot rate on the year-end balance date of 31 March 2021.

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

FY 2021			FY 2020		
Assets NZD$'000	Currency	Liabilities NZD$'000	Assets NZD$'000	Currency	Liabilities NZD$'000
18,568	AUD	54,101	13,743	AUD	21,797
1,436	USD	3,176	2,618	USD	378
336	MYR	3	271	MYR	91
593	SGD	18	1,204	SGD	21
2,552	EUR	3,484	745	EUR	1,418
4	GBP	98	2	GBP	-

NOTES TO FINANCIAL STATEMENTS *(continued)*

For the year ended 31 March 2021

The following forward foreign exchange contracts were held at the end of the 2021 financial year:

Forward Foreign Exchange Contracts				
Buy currency	Buy currency amount '000	Sell amount NZD$'000	Buy amount NZD$'000	Fair value NZD$'000
EUR	4,430	7,694	7,466	(227)
GBP	359	694	707	13
USD	4,900	7,241	7,025	(216)
Sell currency	Sell currency amount $'000	Buy amount NZD$'000	Sell amount NZD$'000	Fair value NZD$'000
AUD	12,450	13,469	13,576	(107)
Total liability as at 31 March 2021				**(537)**

All contracts mature within one year from 31 March 2020.

The following forward foreign exchange contracts were held at the end of the 2020 financial year:

Forward Foreign Exchange Contracts				
Buy currency	Buy currency amount '000	Sell amount NZD$'000	Buy amount NZD$'000	Fair value NZD$'000
EUR	4,195	7,296	7,718	422
GBP	181	357	371	14
USD	100	155	169	14
Sell currency	Sell currency amount $'000	Buy amount NZD$'000	Sell amount 31-Mar-20	Fair value NZD$'000
AUD	1,250	1,348	1,284	64
Total asset as at 31 March 2020				**514**

• 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 fair value interest rate risk. There are no specific derivative arrangements to manage this risk.

• Credit risk

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

The Group has one significant concentration of credit risk at 31 March 2021 with the largest debtor being AU$11.5m (2020: AU$5.9m). 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, with 2.2% of total assets at the Bank of New Zealand (2020: 4.1%), 0.9% at NAB Bank (2020: 2.2%). The carrying value of financial assets represents the maximum exposure to credit risk.

• Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds at short notice to meet its commitments and arises from the need to borrow funds for working capital. The directors monitor the risk on a regular basis and actively manage the cash available to ensure the net exposure to liquidity risk is minimised.

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

31 March 2021	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	TOTAL $'000
Trade and other payables	(21,329)	-	-	-	(21,329)
Borrowings	(7,773)	(33,841)	-	-	(41,614)
Derivative instruments (outbound)	(29,098)	-	-	-	(29,098)
Derivative instruments (inbound)	28,561	-	-	-	28,561
Total	**(29,639)**	**(33,841)**	**-**	**-**	**(63,480)**

31 March 2020	$'000	$'000	$'000	$'000	$'000
Trade and other payables	(18,292)	-	-	-	(18,292)
Borrowings	(5,037)	(7,200)	(43,138)	-	(55,375)
Derivative instruments (outbound)	(9,092)	-	-	-	(9,092)
Derivative instruments (inbound)	9,606	-	-	-	9,606
Total	**(22,815)**	**(7,200)**	**(43,138)**	**-**	**(73,153)**

(b) Fair Values

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

23. MANAGEMENT OF CAPITAL

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to its shareholders and to maintain a strong capital base to support the development of its business. The Group meets these objectives through a mix of equity capital and borrowings. The level and mix of capital is determined by the Group's internal Corporate Governance Policies.

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 principle and interest cover ratio, a minimum net leverage ratio and a maximum Capex and R&D ratio. Covenant reporting is required on a quarterly basis. The Group was compliant with all BNZ covenants during the year.

NOTES TO FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2021

24. INVESTMENT IN SUBSIDIARIES

	Interest held 2021 %	2020 %	Country of incorporation	Principal activities
AFT Pharmaceuticals (AU) Pty Ltd	100%	100%	Australia	Distribution of pharmaceuticals in Australia
AFT Pharmaceuticals Singapore Pte Ltd	100%	100%	Singapore	Registration of pharmaceuticals in Singapore
AFT Pharmaceuticals (S.E. Asia) Sdn Bhd	100%	100%	Malaysia	Registration of pharmaceuticals in Malaysia
AFT Orphan Pharmaceuticals Limited	65%	65%	New Zealand	No activity
AFT Limited Partner Limited	100%	100%	New Zealand	Sole partner in Dermatology Specialties LP
Dermatology Specialties Limited Partnership	100%	100%	New Zealand	No activity
DSGP Limited	100%	100%	New Zealand	General partner of Dermatology Specialties LP
AFT Dermatology Limited	100%	100%	New Zealand	Distribution of pharmaceuticals
AFT Pharmaceuticals (EUR) Limited	100%	-	Ireland	Distribution of pharmaceuticals in Europe

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The consolidated financial statements incorporate the assets and liabilities and the results of the parent and its subsidiaries controlled during the period.

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

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

Inter-company 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.

NOTES TO FINANCIAL STATEMENTS *(continued)*
For the year ended 31 March 2021

25. SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

On 28 April 2021, the Group announced that it had licensed Maxigesic IV in the US. The agreement with Hikma, the US' third largest supplier of generic injectable medications by volume, will see AFT benefit from upfront, regulatory and commercial milestone payments worth up to US$18.8 million and a profit share from in-market product sales.

On 7 May 2021, the Group signed an amended agreement with BNZ. A new $5 million Business Finance Scheme Loan has been entered into and one of the working capital loans has been reduced by $5 million. The new loan is five-year interest only loan at a fixed rate of 2.30%. The existing BNZ facilities maturity date has been extended to 27 April 2023.

There were no other significant events after balance sheet date.

26. RELATED PARTIES

The Group had related party relationships with the following entities:

Related party	Nature of relationship
CRG (Capital Royalty Group)	AFT Non-Executive Director, Nate Hukill, is President and Chairman of CRG, the Group that provided the loan that was repaid by the Group on 31 March 2020. CRG ceased to be shareholder of AFT on 15 June 2020. Nate Hukill resigned as a director of AFT on 23 June 2020.
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

The following transactions were carried out with these related parties:

	2021 $'000	2020 $'000
a) Interest expense		
CRG	-	5,648
b) Dividends on redeemable preference shares		
CRG	108	775
Atkinson Family Trust	80	219

Key management compensation	2021 $'000	2020 $'000
Directors fees	376	295
Executive salaries	1,190	1,083
Short term benefits	293	233
Options expense	14	42
Key management compensation	**1,873**	**1,653**

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 the planning, controlling and directing the activities of the business.

Corporate Governance

The Board and management of AFT Pharmaceuticals Limited (AFT or the Company) are committed to ensuring that AFT maintains corporate governance practices in line with best practice and adheres to the highest ethical standards.

The Board has had regard to the NZX Listing Rules and a number of corporate governance recommendations when establishing its governance framework, including the Third and Fourth Editions of the Australian Securities Exchange (ASX) Corporate Governance Council Principles and Recommendations (notwithstanding AFT is not required to follow these recommendations because of its ASX Foreign Exempt Listing) and the current NZX Corporate Governance Code (NZX Code).

The NZX Listing Rules require AFT to formally report its compliance against the recommendations contained in the NZX Code. How AFT has implemented these recommendations is set out in AFT's Corporate Governance Statement. Except to the extent outlined in the Corporate Governance Statement, the Board considers that AFT's corporate governance structures, practices and processes have followed all of the recommendations in the NZX Code in the financial year to 31 March 2021.

AFT's Corporate Governance Statement and governance charters and policies can be found on the investor centre of the Company's website investors.aftpharm.com/Investors/. AFT's corporate governance charters and policies have been approved by the Board and are regularly reviewed by the Board and amended (as appropriate) to reflect developments in corporate governance practices.

Stock Exchange Listings

AFT is listed on the NZX Main Board and on the Australian stock exchange (ASX) as an ASX Foreign Exempt Listing. As an ASX Foreign Exempt Listing, AFT needs to comply with the NZX Listing Rules (other than as waived by NZX) but does not need to comply with the vast majority of the ASX Listing Rule obligations.

AFT is incorporated in New Zealand.

Statutory Disclosures

Non-executive Director Remuneration

AFT's shareholders have approved a total cap of $575,000 per annum for Non-executive Directors' fees, for the purposes of the NZX Listing Rules. This annual fee pool has not been increased since it was approved by shareholders in 2015. With the return of the Company to profitability in the financial year ended 31 March 2019 and having held directors' fees at the same level since AFT listed in 2015, the Board undertook a review of non-executive directors' fees during the financial year ended 31 March 2020 to ensure that the Company is offering appropriate levels of remuneration to both existing and prospective directors. Because of the effects of Covid-19, any decision to alter directors' fees was placed on hold and re-evaluated during the financial year ended 31 March 2021. As a result of that re-evaluation, an increase to the non-executive directors' fees was approved and took effect on 1 September 2020.

Additional information about the remuneration payable to directors is set out in AFT's Corporate Governance Statement, which is located on the investor centre of the Company's website.

The current approved fixed annual fees payable to non-executive directors are detailed below:

	Position	Fees per annum (paid in NZD except where stated)
Board of Directors	Chair	$105,000
	Non-Executive Director	$55,000[1]
Audit and Risk Committee	Committee Chair	$20,000
	Committee Member	$5,000[2]
Remuneration and Nominations Committee	Committee Chair	$7,500
	Committee Member[3]	$5,000[2]
Regulatory and Product Development Oversight Committee	Committee Chair	$15,000
	Committee Member[3]	$5,000

[1] Fee payable to non-United States (US) based directors. US based directors receive USD$55,000.
[2] Fee payable to non-US based directors. US based directors receive USD$5,000.
[3] Payable only to non-executive directors who are members of the Committee.

Statutory Disclosures (Continued)

Non-executive directors received the following directors' fees, remuneration and other benefits from the Company in the financial year ended 31 March 2021:

Remuneration and value of other benefits received in the financial year ended 31 March 2021[2]

Name of Director	Non-executive directors' Board fees	Audit and Risk Committee fees	Remuneration and Nominations Committee fees	Regulatory and Product Development Oversight Committee fees	Shares and other payments or benefits[1]	Total remuneration
Anita Baldauf[4]	$22,917	-	-	-	-	$22,917
Jim Burns[2]	$76,501	$7,286	$7,286	-	-	$91,073
David Flacks	$100,000 (Chairman)	$5,000	-	-	-	$105,000
Nate Hukill[3]	-	-	-	-	-	-
Jon Lamb	$48,750	$14,792 (Chairman)	$7,500 (Chairman)	-	-	$71,042
Doug Wilson	$48,750	-	-	$11,667 (Chairman)	-	$60,417
Ted Witek[2, 5]	20,036	-	-	-	-	20,036
Total	**$316,954**	**$27,078**	**$14,786**	**$11,667**	**-**	**$370,485**

[1] In addition to Directors' fees, AFT meets costs incurred by non-executive Directors that are incidental to the performance of their duties. This includes paying the costs of Directors' travel. As these costs are incurred by AFT to enable Directors to perform their duties, no value is attributable to them as benefits to Directors for the purposes of this table.

[2] Fees disclosed in NZD. Jim Burns and Ted Witek receive fees paid in USD. These fees have been converted into NZD in the above table, calculated at an exchange rate of 1: 0.686.

[3] Nate Hukill agreed not to receive any Directors' fees during the financial year ended 31 March 2021. Nate resigned as a Director on 22 June 2020.

[4] Anita Baldauf was appointed as a director on 4 November 2020.

[5] Ted Witek was appointed as a director on 23 December 2020.

Statutory Disclosures (Continued)

Executive Director Remuneration

The executive directors, Hartley Atkinson and Marree Atkinson, receive remuneration and other benefits in their respective executive roles as Chief Executive Officer and Chief of Staff and, accordingly, do not receive directors' fees. Their remuneration packages are set by the Board to reflect the scope and complexity of each role, with reference to comparative market data.

During the financial year ended 31 March 2021, Hartley Atkinson and Marree Atkinson's remuneration comprised a fixed cash component and an at-risk short-term incentive based on achievement of specified key performance indicators (refer below). Neither executive director was issued any form of long-term incentive during the financial period.

The table below sets out the total remuneration and value of other benefits earned by, or paid to, each executive director of AFT during, and in respect of, the financial year ended 31 March 2021:

	Base salary	Taxable benefits	Subtotal	Pay for performance STI	Pay for performance LTI[3]	Subtotal	Total remuneration
Hartley Atkinson	$506,108	–	$506,108	$195,382 [1]	–	$195,382	$701,490
Marree Atkinson	$125,071	–	$125,071	$11,790 [2]	–	$11,790	$136,861

[1] The short-term incentive (STI) stated was earned in FY2020 and paid in FY2021. Hartley Atkinson earned a short-term incentive for FY2021 of $262,271 from a full potential of $330,000. This will be paid in FY2022.

[2] The short-term incentive stated was earned in FY2020 and paid in FY2021. Marree Atkinson earned a short-term incentive for FY2021 of $10,761. This will be paid in FY2022.

[3] Neither executive director was issued any form of long-term incentive during the financial period.

[Hartley Atkinson's STI component for the period was based on achievement of key performance indicators relating to:

- Company revenue and profit targets
- Key innovative product development; and
- Key product registration and licensing.

Marree Atkinson's STI component for the period was based on achievement of key performance indicators relating to:

- Company revenue and profit targets
- Human resources objectives; and
- Overhead cost savings.

Similar criteria will be applied for assessing the performance of the executive directors in respect of the financial year ending 31 March 2022.] [Drafting note: please review and update.]

Statutory Disclosures (Continued)

Employee Remuneration

The table below sets out the number of employees or former employees of AFT and its subsidiaries, not being directors of AFT, who, in their capacity as employees received remuneration and other benefits during the financial year ended 31 March 2021 totalling at least $100,000 per annum. The remuneration of those employees paid outside of New Zealand has been converted into New Zealand dollars.

Remuneration range (NZD)			Total number of employees
$100,001	-	$110,000	7
$110,001	-	$120,000	12
$120,001	-	$130,000	3
$130,001	-	$140,000	-
$140,001	-	$150,000	2
$150,001	-	$160,000	-
$160,001	-	$170,000	1
$170,001	-	$180,000	-
$180,001	-	$190,000	3
$190,001	-	$200,000	-
$200,001	-	$210,000	-
$210,001	-	$220,000	2
$220,001	-	$230,000	-
$230,001	-	$240,000	1
$240,001	-	$250,000	-
$250,001	-	$260,000	-
$260,001	-	$270,000	-
$270,001	-	$280,000	1
$280,001	-	$290,000	1
$350,001	-	$360,000	1
Total number of employees and former employees (earning over $100k)			**34**

The table includes base salaries and short-term incentives paid during the financial year ended 31 March 2021 and long-term incentives vested or exercised during the financial year ended 31 March 2021. The table does not include long-term incentives that have been granted, but which have not yet vested. Where the individual is a KiwiSaver member, contributions of 3% of gross earnings towards that individual's KiwiSaver scheme are included in the above table. Where the individual works in Australia, contributions of 9.5% of gross earnings towards Australian Superannuation are included in the above table.

Diversity

The respective numbers and proportions of men and women at various levels within the AFT workforce as at 31 March 2020 and 31 March 2021 are set out in the table below:

	Female				Male			
	2021		2020		2021		2020	
	No.	%	No.	%	No.	%	No.	%
Directors	2	25%	1	14%	6	75%	6	86%
Officers[1]	4	36%	4	36%	7	64%	7	64%
Overall workforce	57	61%	52	60%	37	39%	34	40%

[1] Officers are considered to be the CEO and his direct reports. Note that CEO, Hartley Atkinson, and Chief of Staff, Marree Atkinson are included in both the number of Directors and Officers reported.

The Board's assessment of AFT's performance against its Diversity and Inclusion Policy is set out in the People, Health and Safety section of this Annual Report.

Board and Committee Attendance

The table below shows the number of Board and Committee meetings each Director was eligible to attend and attended during the financial year ended 31 March 2021:

Director	Board	Audit and Risk Committee	Remuneration and Nominations Committee	Regulatory and New Product Development Committee[2]
Hartley Atkinson	10/10	-	3/3	2/2
Marree Atkinson	10/10	-	-	2/2
Anita Baldauf[3]	4/4	-	-	-
Jim Burns	9/10	4/4	3/3	-
David Flacks	10/10	4/4	-	-
Nate Hukill[1]	2/2	-	-	-
Jon Lamb	9/10	4/4	3/3	-
Doug Wilson	10/10	-	-	2/2
Ted Witek[4]	3/3	-	-	-

[1] Nate Hukill represented major shareholder CRG on the Board and retired as a director on 22 June 2020.
[2] Committee members also met frequently through-out the year on an informal basis to discuss regulatory and new product development matters.
[3] Anita Baldauf was appointed as a director on 20 November 2020.
[4] Ted Witek was appointed as a director on 23 December 2020

Director Independence

As at 31 March 2021 (and the date of this Annual Report), the Board comprised eight Directors:

- David Flacks – Independent, Non-executive Director and Chairman
- Anita Baldauf – Independent, Non-executive Director
- Jim Burns – Independent, Non-executive Director
- Jon Lamb – Independent, Non-executive Director
- Doug Wilson – Independent, Non-executive Director
- Ted Witek – Independent, Non-executive Director
- Hartley Atkinson – Executive Director and Chief Executive Officer
- Marree Atkinson – Executive Director and Chief of Staff

A biography of each director is set out on pages 30 and 31 of this Annual Report.

The Board has determined, based on information provided by directors regarding their interests and the criteria specified in the Board Charter, that as at 31 March 2021 (and the date of this Annual Report), each of David Flacks, Anita Baldauf, Jim Burns, Jon Lamb, Doug Wilson and Ted Witek is an Independent Director. The Board has also determined that Hartley Atkinson and Marree Atkinson are not Independent Directors owing to also being executives of the Company; and, in Hartley Atkinson's case, he is also a trustee of a substantial product holder of the Company, and each of Hartley and Marree is a discretionary beneficiary of a substantial product holder of the Company having major shareholding interests in AFT.

Statutory Disclosures (continued)

Director Interest Disclosures

Directors have given general notices disclosing interests pursuant to section 140(2) of the Companies Act 1993. All of those interests (and any changes to interests) notified and recorded in the Interests Register during the financial year ended 31 March 2021 (and subsequently) are set out below:

Director	Entity	Relationship
Hartley Atkinson	AFT Dermatology Limited	Director
	AFT Limited Partner Limited	Director
	AFT Orphan Pharmaceuticals Limited	Director
	AFT Pharmaceuticals (AU) Pty Limited	Director
	AFT Pharmaceuticals (EUR) Limited	Director
	AFT Pharmaceuticals Singapore PTE Limited	Director
	AFT Pharmaceuticals (SE Asia) SDN BHD	Director
	Atkinson Family Trust	Trustee/Discretionary Beneficiary
	Dermatology Specialties, L.P.	Director of AFT Limited Partner Limited (LP of Dermatology Specialties)
	DSGP Limited	Director
Marree Atkinson	Atkinson Family Trust	Discretionary Beneficiary
Anita Baldauf	Smart Design Limited	Director
	Future Ready NZ Ltd	Director
James Burns	Mobility Health	Director/Chairman
	Phenomics Health Inc	Director/Executive Chairman
	Aspira Women's Health Inc	Ceased to be Director
	VisionGate Inc	Ceased to be Director
David Flacks	Asteron Life Limited	Director/Appointed Chairman
	Flacks & Wong Limited	Director
	Harmoney Corp Limited	Director/Chairman
	Todd Corporation	Director
	Vero Insurance New Zealand Limited	Director/Appointed Chairman
	Vero Liability Insurance New Zealand Limited	Director/Appointed Chairman
	NZX Regulatory Governance Committee	Ceased to be Director/Chairman
	Upside Biotechnologies Limited	Ceased to be Director/Chairman
Nate Hukill[1]	Capital Royalty Group entities	President/Shareholder/Managing Partner/ Chairman
	CRG Investment Committee	Chairman
	Piedmont Evergreen	Partner
	Valeritas Inc	Director
Jon Lamb	Aurora Cannabis Ltd	Director
	Aurora Medicinal Cannabis Ltd	Director
	BV&RR Trustees Ltd	Director
	Coronation Equities Limited	Director
	Zero Waste Seas Limited	Director
	Indica Industries NZ Limited	Appointed Director/Shareholder
	Medreleaf NZ Limited	Appointed Director/Shareholder
	Project X Trustee Limited	Director
	Redvers Limited	Director
	Rivers One Limited	Trustee
	Rodney Road Limited	Director
	Three Dots Limited	Director
Doug Wilson	Mainz Consulting Limited	Director
	Malaghan Institute	Member of Commercial Committee
	Ryman Healthcare	Member of Clinical Governance Committee
Ted Witek	Trudell Medical International	Director
	Molecular Sciences Corporation	Director/Chairman
	Lumira Ventures	Special Advisor

[1] Nate Hukill resigned as director of AFT on 22 June 2020.

No directors have disclosed interests for the purposes of section 140(1) of the Companies Act 1993 during the financial year ended 31 March 2021.

In accordance with Section 148(2) of the Companies Act 1993, directors disclosed the following acquisitions or disposals of relevant interests in AFT ordinary shares during the financial year ended 31 March 2021:

Name	Date of acquisition/ disposal	Number of shares acquired/ disposed	Nature of relevant interest	Details of acquisition/ disposal	Consideration paid/received
Hartley Atkinson	15 June 2020	933,333	Joint registered holder and beneficial owner of ordinary shares as trustee of Atkinson Family Trust	Disposal pursuant placement and sell down agreement dated 10 June 2020	$3,499,999
Nathan Hukill	15 June 2020	16,067,045	Power to exercise, or control the exercise of, the rights to vote attached to the AFT shares held by the relevant Capital Royalty Partners limited partnership	Disposal pursuant to placement and sell down agreement dated 10 June 2020	$60,251,419
David Flacks	15 June 2020	20,000	Joint registered holder and beneficial owner of ordinary shares as trustee of Waitemata Family Trust	On market acquisition during permitted trading period	$77,330
Jon Lamb	25 June 2020	12,105	Power to control the exercise of the right to vote as trustee of the Rivers One Trust which holds the shares in Rivers One Limited	On market acquisition during permitted trading period	$46,604
Jon Lamb	26 June 2020	2,684	Power to control the exercise of the right to vote as trustee of the Rivers One Trust which holds the shares in Rivers One Limited	On market acquisitions during permitted trading period	$10,333
Jon Lamb	29 June 2020	12,000	Power to control the exercise of the right to vote as trustee of the Rivers One Trust which holds the shares in Rivers One Limited	On market acquisitions during permitted trading period	$46,200

Statutory Disclosures (continued)

Name	Date of acquisition/ disposal	Number of shares acquired/ disposed	Nature of relevant interest	Details of acquisition/ disposal	Consideration paid/received
Jon Lamb	2 July 2020	13,333	Power to control the exercise of the right to vote as trustee of the Rivers One Trust which holds the shares in Rivers One Limited	Acquisition of shares pursuant to share purchase plan	$49,999
David Flacks	2 July 2020	13,333	Joint registered holder and beneficial owner of ordinary shares as trustee of Waitemata Family Trust	Acquisition of shares pursuant to share purchase plan	$49,999
Hartley Atkinson	7 August 2020	867,826	Joint power as trustee of the Atkinson Family Trust) to control the exercise of the right to vote attached to, and the joint power (as trustee of the Atkinson Family Trust) to control the disposal of, ordinary shares in AFT held by HAMA Holdings Limited as bare trustee for the Atkinson Family Trust	Issue of new ordinary shares in AFT upon the conversion of redeemable preference shares in AFT	(a) 730,000 ordinary shares created upon the conversion of 730,000 redeemable preference shares in AFT; and (b) 137,826 ordinary shares issued in respect of accumulated dividends on the redeemable preference shares in (a) for an issue price of $2.74 per share

In accordance with the NZX Listing Rules, as at 31 March 2021, directors had a relevant interest in AFT ordinary shares as follows:

Name	Relevant interest	Percentage
Hartley Atkinson	72,899,435	69.704%
Jon Lamb	248,094	0.237%
David Flacks	178,764	0.171%
James Burns	125,417	0.120%
Doug Wilson	56,689	0.054%

For the purposes of section 161 of the Companies Act 1993, the following entries were made in the Interests Register in relation to the payment of remuneration and other benefits to directors during the financial year ended 31 March 2021:

Date	Director	Particulars of Board authorisation
30 April 2020	James Burns David Flacks Jon Lamb Doug Wilson	The payment of increased non-executive directors' fees be deferred under the Covid-19 circumstances and reviewed once over.
19 May 2020	Hartley Atkinson Maree Atkinson	The payment of remuneration and the provision of other benefits by the Company to each of Hartley Atkinson and Marree Atkinson on the terms set out in a letter of amendment to the relevant employment agreement. To be deferred under the Covid-19 circumstances and reviewed once over.
19 May 2020	Hartley Atkinson Maree Atkinson	The payment of short-term incentive (STI) remuneration by the Company to each of Hartley Atkinson and Marree Atkinson on the terms set out in a letter of STI notification.
15 September 2020	Hartley Atkinson Maree Atkinson	The payment of remuneration and the provision of other benefits by the Company to each of Hartley Atkinson and Marree Atkinson on the terms set out in a letter of amendment to the relevant employment agreement.
30 September 2020	James Burns David Flacks Jon Lamb Doug Wilson	The payment of increased non-executive directors' fees by the Company to the non-executive directors on the terms agreed in February 2020 and with effect from 1 September 2020.

For the purposes of section 162 of the Companies Act 1993, an entry was made in the Interests Register in relation to insurance effected for directors of AFT, in relation to any act or omission in their capacity as directors.

Shareholdings

As at 30 April 2021 there were 104,643,875 AFT ordinary shares on issue, each conferring on the registered holder the right to vote on any resolution at a meeting of shareholders, held as follows:

Size of shareholding	Number of ordinary shares		Holders number of ordinary shares	
1 to 1,000	962	44.67%	429,502	0.41%
1,001 to 5,000	769	35.70%	1,959,354	1.87%
5,001 to 10,000	201	9.33%	1,486,201	1.42%
10,001 to 50,000	167	7.75%	3,118,444	2.98%
50,001 to 100,000	22	1.02%	1,521,856	1.45%
100,001 and over	33	1.53%	96,128,518	91.87%
Total	**2,154**	**100.00%**	**104,643,875**	**100.00%**

Statutory Disclosures (continued)

Shareholdings (continued

As at 30 April 2021 there were 12 individuals holding a total of 465,000 options to acquire shares issued by AFT under its employee long-term incentive scheme. The options are unlisted and carry no voting rights.

On 7 August 2020, all outstanding redeemable preferences shares issued by AFT were converted into ordinary shares. Accordingly, as at 30 April 2021, there are no redeemable preference shares on issue.

There is currently no on-market buy-back of the Company's ordinary shares.

Set out below are details of the 20 largest holders of AFT ordinary shares as at 30 April 2021:

	Shareholder[1]	Number of Ordinary Shares Held	%
1	Hartley Atkinson & Colin McKay	72,899,435	69.66%
2	Accident Compensation Corporation - NZCSD	4,379,184	4.18%
3	MMC Limited	2,838,384	2.71%
4	FNZ Custodians Limited	2,599,493	2.48%
5	Forsyth Barr Custodians Limited	2,125,725	2.03%
6	BNP Paribas Nominees (NZ) Limited - NZSCD	1,930,087	1.84%
7	Citicorp Nominees Pty Limited	1,094,231	1.05%
8	HSBC Nominees (New Zealand) - NZCSD	932,220	0.89%
9	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	854,404	0.82%
10	TEA Custodians Limited Client Property Trust Account - NZCSD	763,023	0.73%
11	New Zealand Depository Nominee Limited	692,299	0.66%
12	BNP Paribas Nominees (NZ) Limited - NZSCD	651,770	0.62%
13	JP Morgan Nominees Australia Limited	529,815	0.51%
14	FNZ Custodians Limited	502,990	0.48%
15	CS Third Nominees Pty Limited	344,761	0.33%
16	Custodial Services Limited	297,000	0.28%
17	Rivers One Limited	221,305	0.21%
18	Hamish Stewart Atkinson & Karen Winifred Atkinson & Andrew John Marriott	203,333	0.19%
19	FNZ Custodians Limited	203,253	0.19%
20	BNP Paribas Nominees (NZ) Limited - NZSCD	199,283	0.19%

[1] The shareholding of New Zealand Central Securities Depository Limited (custodian for members trading through NZClear) has been re-allocated to the applicable members.

According to notices given to AFT under the Financial Markets Conduct Act 2013, the following persons were substantial product holders in AFT as at 31 March 2021 in respect of the number of quoted voting products noted below. As at the balance date 31 March 2021 there were 104,583,875 ordinary shares on issue:

Substantial Product Holder	Number of ordinary shares in which relevant interest is held	% of Class Held at Date of Last Notice
Hartley Campbell Atkinson and Colin McKay as Trustees of the Atkinson Family Trust	72,899,435	69.704%

Subsidiary Company Directors

The following fees were paid to directors of subsidiary companies during the financial year ended 31 March 2021. No other directors of subsidiary companies received directors' fees:

- Raymond McGregor received A$12,000 during the financial year ended 31 March 2021 in his capacity as a director of AFT Pharmaceuticals (AU) Pty Limited.
- Hawksford Singapore Pte Ltd received SG$5,785 during the financial year ended 31 March 2021 in relation to Leong Wai Kuan acting as a director of AFT Pharmaceuticals Singapore Pte Limited.
- Ilium Corporate Management SDN BHD MYR received 1,050 during the financial year ended 31 March 2021 in relation to Khafnena Binti Khanafiah and Irdawati Binti Mohamad acting as directors of AFT Pharmaceuticals (SE Asia) SDN BHD.

The following people held office as Directors of subsidiary companies as at 31 March 2021:

Subsidiary	Directors
AFT Pharmaceuticals (AU) Pty Limited (Australia)	Hartley Atkinson, Raymond MacGregor
AFT Pharmaceuticals (EUR) Limited (Ireland)	Hartley Atkinson, Eddie Townsley
AFT Pharmaceuticals (SE Asia) SDN BHD (Malaysia)	Hartley Atkinson, Diong Sing Peng, Khanafiah, Irdawati Binti Mohamad Khafnena Binti
AFT Pharmaceuticals Singapore Pte Limited (Singapore)	Hartley Atkinson, Leong Wai Kuan
AFT Orphan Pharmaceuticals Limited	Hartley Atkinson, Andrew Moore, Giles Moss, Malcolm Tubby
AFT Dermatology Limited	Hartley Atkinson
Dermatology Specialties Limited Partner	DSGP Limited
AFT Limited Partner Limited	Hartley Atkinson
DSGP Limited	Hartley Atkinson

There were no entries made in the subsidiary company Interests Registers during the financial reporting period.

NZX Waivers

In June and July 2020, AFT, the Atkinson Family Trust and Capital Royalty Group (CRG) undertook a capital raising which comprised:

- a Primary placement to raise approximately $10 million by issue of new shares in AFT; and
- a Secondary sale of:

— approximately $3.5 million worth of shares by the Atkinson Family Trust

— approximately 16 million existing shares by CRG

(together, the Placement).

The Placement was underwritten by Forsyth Barr Group Limited and Bell Potter Securities Limited pursuant to a placement and sell down agreement (the Underwriting Agreement) between the underwriters, AFT, the Atkinson Family Trust and CRG. AFT relied on a waiver issued by NZX Regulation (NZXR) and dated 10 June 2020 from Listing Rule 5.2.1 to the extent that this Rule would otherwise require AFT to obtain approval from shareholders to enter into the Underwriting Agreement (the 2020 AFT Waiver).

The Placement was followed by a non-underwritten Share Purchase Plan (SPP) of up to approximately $2 million new shares to existing shareholders. On 19 March 2020, NZXR issued a class waiver and ruling in relation to Section 4 of the NZX Listing Rules. AFT relied on the class waiver in respect of Listing Rule 4.3.1 in relation to the offer of the SPP. Under the class waiver, the cap per registered shareholder under Listing Rule 4.3.1 for issues under a SPP was increased from $15,000 to $50,000 and the total cap from 5% to 30% of equity securities of that class at the time of offer. The capital raising by the SPP involved the issuance of approximately 0.5% of the total equity securities at the time of the offer. The SPP was offered to all eligible existing shareholders of the Company, enabling them to each subscribe for up to a maximum of NZ$50,000 of new AFT shares there was an average application of approximately $6,306.

A copy of the 2020 AFT Waiver can be found on the investor centre of the Company's website investors.aftpharm.com/Investors/.

Statutory Disclosures (continued)

Donations
No monetary donations were made to political parties during the financial reporting period.

Credit Rating
AFT does not currently have an external credit rating status.

Directory

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

Registered Office	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 9997
Principal Administration Office	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 Annual Report)	Dr Hartley Atkinson Marree Atkinson Dr James (Jim) Burns David Flacks Jon Lamb Dr Douglas (Doug) Wilson 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 Deloitte Centre, 80 Queen Street, Auckland 1140, New Zealand +64 9 303 0700

Financial Calendar

Annual Meeting	August 2021
Half-year End	30 September 2021
Half-year End Results Announcement	November 2021
Financial Year End	31 March 2022