

AFT ANNUAL FINANCIAL STATEMENTS FY2016



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INDEPENDENT AUDITORS' REPORT

to the shareholders of AFT Pharmaceuticals Limited

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of AFT Pharmaceuticals Limited ("the Company") on pages 3 to 27, which comprise the consolidated balance sheet as at 31 March 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2016 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the consolidated financial statements.

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

We are independent of the Group. Other than in our capacity as auditors, providers of assurance services associated with the Group's initial public offering, tax due diligence and provision of an assurance report on the ASX pro forma balance sheet, we have no relationship with, or interests in, the Group.

Opinion

In our opinion, the consolidated financial statements on pages 3 to 27 present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

RESTRICTION ON USE OF OUR REPORT

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A stylized, handwritten signature of 'PricewaterhouseCoopers' in black ink.

Chartered Accountants

25 May 2016

Auckland

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016

\$NZ000's	Note	2016	2015
Revenue	4	64,014	56,241
Cost of sales		(40,435)	(35,083)
Gross Profit		23,579	21,158
Other income	5	2,295	1,270
Selling and distribution expenses	6	(19,634)	(17,157)
General and administrative expenses	6	(6,804)	(5,475)
Research and development expenses	6	(8,092)	(5,761)
Equity accounted loss of joint venture entity	13(b)	(302)	-
Operating Loss		(8,958)	(5,965)
Finance income		291	35
Finance costs	6	(2,019)	(7,225)
IPO, listing and capital raising costs		(2,623)	-
Loss before tax	6, 7	(13,309)	(13,155)
Tax benefit/(expense)	7	42	282
Loss after tax attributable to owners of the parent		(13,267)	(12,873)
Basic and diluted earnings per share (\$)	25	(0.48)	(10.91)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

\$NZ000's	2016	2015
Loss after tax	(13,267)	(12,873)
Other comprehensive income		
May be subsequently reclassified to profit and loss:		
Foreign currency translation reserve	(530)	332
Fair value loss of cash flow hedges	-	(305)
Other comprehensive income/(loss) for the year, net of tax	(530)	27
Total comprehensive income/(loss) for the year attributable to owners of the parent	(13,797)	(12,846)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

\$NZ000's	Share capital	Cash flow hedge reserve	Share options reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance 31 March 2014	33	-	-	(166)	3,181	3,048
Loss after tax	-	-	-	-	(12,873)	(12,873)
Other comprehensive income	-	(305)	-	332	-	27
Issue of share capital	13,894	-	-	-	-	13,894
Capital raising expenses	(1,035)	-	-	-	-	(1,035)
Dividends paid and provided	-	-	-	-	(1,040)	(1,040)
Balance 31 March 2015	12,892	(305)	-	166	(10,732)	2,021
Loss after tax	-	-	-	-	(13,267)	(13,267)
Reclassification of FCTR to retained earnings	-	-	-	264	(264)	-
Transfer to current year earnings	-	305	-	-	-	305
Other comprehensive income	-	-	-	(530)	-	(530)
Issue of share capital	42,067	-	-	-	-	42,067
Movement in share options reserve	-	-	65	-	-	65
Capital raising expenses	(1,057)	-	-	-	-	(1,057)
Dividends paid and provided	-	-	-	-	(1,374)	(1,374)
Balance 31 March 2016	53,902	-	65	(100)	(25,637)	28,230

CONSOLIDATED BALANCE SHEET

As at 31 March 2016

\$NZ000's	Note	2016	2015
ASSETS			
Current assets			
Inventories	8	17,686	14,686
Trade and other receivables	9	16,288	11,251
Cash and cash equivalents	10	28,055	4,700
Current income tax asset		26	88
Total current assets		62,055	30,725
Non-current assets			
Property, plant and equipment	11	407	411
Intangible assets	12	2,111	1,669
Deferred income tax assets	7	546	408
Investment in joint venture entity	13(b)	185	-
Total assets		65,304	33,213
LIABILITIES			
Current liabilities			
Trade and other payables	14	10,428	8,258
Provisions	15	3,083	1,890
Derivative liabilities	20	402	305
Total current liabilities		13,913	10,453
Non-current liabilities			
Interest bearing liabilities	16	23,161	20,739
Total liabilities		37,074	31,192
EQUITY			
Share capital	17	53,902	12,892
Retained earnings		(25,637)	(10,732)
Cash flow hedge reserve		-	(305)
Share options reserve	19(b)	65	-
Foreign currency translation reserve		(100)	166
Total equity		28,230	2,021
Total liabilities and equity		65,304	33,213
Net tangible assets per ordinary share		\$0.95	\$0.30



David Flacks
Chairman



Hartley Atkinson
Managing Director and
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

\$NZ000's	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		62,050	53,877
Interest received		241	35
Payments to suppliers and employees		(73,979)	(64,156)
Tax (paid)/received		47	(11)
Interest and finance cost paid		(2,788)	(2,850)
Net cash (used in)/generated from operating activities	18	(14,429)	(13,105)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(148)	(139)
Sale of property, plant and equipment		10	5
Purchases of intangible assets		(556)	(349)
Net cash used in investing activities		(694)	(483)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		42,037	13,894
Share issue costs		(3,680)	(1,035)
Dividends paid		(1,652)	(763)
New borrowings		-	18,176
Repayment of borrowings		-	(13,137)
Net cash generated from financing activities		36,705	17,135
Net increase in cash		21,582	3,547
Impact of foreign exchange on cash and cash equivalents		1,773	(95)
Opening cash and cash equivalents		4,700	1,248
Closing cash and cash equivalents		28,055	4,700

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL INFORMATION

AFT Pharmaceuticals Limited (the 'Company') is a company which is incorporated and domiciled in New Zealand. It is registered under the Companies Act 1993. These financial statements comprise AFT Pharmaceuticals Limited and its subsidiaries (together referred to as the Group). The group is a pharmaceutical distributor and developer of pharmaceutical intellectual property.

The financial statements of the group have been prepared in accordance with the requirements of the Companies Act 1993. As group financial statements are prepared and presented for AFT Pharmaceuticals Ltd and its subsidiaries, separate financial statements for AFT Pharmaceuticals Ltd are not required to be prepared under the Companies Act 1993.

These financial statements are authorised for issue on 25 May 2016 by the Directors.

2. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention with the exception of derivative instruments revalued to fair value.

(a) Basis of preparation

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).

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

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded where necessary to the nearest thousand dollars.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the parent and the results of its subsidiaries controlled at year end.

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 by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. 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 directly in the statements of comprehensive income.

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

Joint Venture

Where the company does not hold a controlling stake in a Joint venture, the principles of Equity accounting are adopted. In these cases, the company's investment is recognised in the balance sheet and its share of after tax profits less losses of the joint venture are recognised in the Profit and Loss, with the value of the company's investment carrying value adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(c) Critical accounting estimates and assumptions

In preparing these financial statements the Group made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations or future events that are believed to be reasonable under the circumstances. The main critical estimate and assumption used is the recognition of deferred tax, detailed within Note 7. It is not expected that this estimate and assumption will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

(iii) Foreign operations

The results and balance sheets of all foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from New Zealand dollars are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions.

(e) Revenue recognition

Revenue comprises the fair value for the sale of goods, excluding Goods and Services Tax, rebates and discounts.

- The sales of goods are recognised when the product is delivered to customer.

(f) Other income recognition

Other income comprises of research and development grant and licensing 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.

• Licencing income

Licencing income comprises milestone payments due under out-licencing agreements. Milestone payments represent a minor portion of the economic benefits of the out-licencing agreements (the primary benefits being the sale of product and royalties earned on licensee sales). The milestones are recognised as income depending on the terms of each out-licencing agreement.

(g) Finance income recognition

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

(h) Property, plant & equipment

All plant and equipment is stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the diminishing value method which is apports 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 & machinery	21% to 80%
Fixtures & 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 statements of comprehensive income.

(i) Intangible assets**Finite Useful Life**

Acquired patents have a finite life and are carried at cost less accumulated amortisation. Patents are amortised over a useful economic life of 20 years.

Indefinite Useful Life

Acquired trademarks are considered to have an indefinite useful life whilst they continue to protect revenue streams. Trademarks are carried at cost less accumulated impairment. Indefinite useful life assets are tested for impairment annually or when impairment indicators exist. The assets' carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

(j) Goods & services tax

The Income Statement and the Statement of Comprehensive Income have been prepared so that all components are stated exclusive of NZ & AU GST. All items in the Balance Sheet are stated net of GST, with the exception of account receivables and payables which include GST invoiced. All components of Statement of Cash Flows are stated exclusive of GST.

(k) Income tax

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

Current tax is calculated by reference to the amount of income tax payable calculated using tax laws that are enacted 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 financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset or liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

(l) Inventories

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.

(m) Leased assets

Operating leases are those in which all the risks and rewards are substantially retained by the lessor. Lease payments are charged in the income statement on a straight line basis over the term of the lease.

(n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Bad debts are written off in the year in which they are identified. Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statements of Comprehensive Income.

(o) Trade payables

These amounts represent 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.

(p) Borrowings

Borrowings are initially recognised at fair value plus transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (plus transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing costs are expensed as incurred.

(q) Share capital

Ordinary shares, and the now-converted preferred shares, are classified as equity. Both carried equal voting rights. Preferred shares attracted a dividend yield.

(r) Cash and cash equivalents

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

(s) Employee entitlements

Liabilities for wages and salaries, including non monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in 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 is carried at the present value of estimated future cash flows. Staff share options are valued at fair value as calculated independently using the Black Scholes model.

(t) Impairment of non-financial assets

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

(u) Derivative financial instruments

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 for contracts in place and the actual exchange rate at year-end, considered level 2 of the fair value hierarchy.

For the purposes of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss is recognised in the Income Statement.

(v) 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 period of expected benefit. Development assets are reviewed annually for any impairment in their carrying value.

(w) Earnings per share

Basic earnings per share is computed by dividing net earnings by the weighted average number of ordinary shares outstanding during each period. Preferred shares are considered to be anti-dilutive for the earnings per share calculation.

Diluted earnings per share is computed by dividing net earnings adjusted for the share options cost, by the diluted weighted average number of ordinary shares (as if all options have been exercised).

3. STANDARDS OR INTERPRETATIONS NOT YET EFFECTIVE

No new standards that have been issued and are effective for the periods beginning 1 April 2015 are considered to materially impact the recognition, measurement or disclosure of these financial statements. The below are new standards and amendment that have been issued that are not yet effective:

NZ IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of NZ IFRS 9 was issued in September 2014. It replaces the guidance in NZ IAS 39 that relates to the classification and measurement of financial instruments. NZ IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

3. STANDARDS OR INTERPRETATIONS NOT YET EFFECTIVE (continued)

There is now a new expected credit losses model that replaces the incurred loss impairment model used in NZ IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. NZ IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under NZ IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group intends to adopt NZ IFRS 9 on its effective date and has yet to assess its full impact.

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group intends to adopt NZ IFRS 15 on its effective date and is currently assessing its full impact.

IFRS 16 'Leases' was issued by The International Standards Board in January 2016 and replaces the previous leases Standard, IAS 17 Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. As a result all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments as an asset. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. As such the most significant effect of the new requirements in IFRS 16 will be an increase in the lease assets and liabilities. IFRS 16 is effective from 1 January 2019 with early adoption allowable if IFRS 15 also adopted.

There are no other NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4. REVENUE FROM OPERATIONS

\$NZ000's	2016	2015
Sale of goods	64,014	56,241
Total Revenue	64,014	56,241

5. OTHER INCOME

\$NZ000's	2016	2015
Research and development grant	465	974
Licensing income	1,830	296
Total other income	2,295	1,270

6(a). NET OPERATING PROFIT

\$NZ000's	Note	2016	2015
(Loss)/Profit before tax		(13,309)	(13,155)
After charging the following specific expenses:			
Finished goods material component of cost of goods sold		39,817	34,674
Inventory write off		618	409
Audit fees and review of financial statements	6(b)	340	58
Donations		-	25
Rental expense		532	600
Operating leases		382	321
Share options expense		65	-
Short term employee emoluments:			
Selling and distribution expenses		6,046	4,512
General and administrative expenses		2,084	1,995
Research and development expenses		1,113	849
		9,243	7,356
Research and development expenses:			
Product development		5,867	3,772
New market development		2,225	1,140
Employee emoluments	* see below	-	849
		8,092	5,761
Depreciation:			
Plant and machinery		103	75
Furniture and fixtures		29	27
Vehicles		22	27
		154	129
Amortisation:			
Patents		91	73
Software		23	26
		114	99
Finance Costs:			
Interest		3,436	1,943
Foreign exchange (gains)/losses		(1,405)	3,466
Other financing costs		(12)	1,816
		2,019	7,225

* In FY 2016, product development and new market development costs include employee emoluments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

6(b). FEES PAID TO AUDITORS

\$NZ000's	2016	2015
Audit of financial statements		
Audit and review of financial statements – PwC	93	-
Half year review	41	58
Total fees for audit services	134	58
Other services		
Performed by PwC:		
Tax due diligence services	28	-
Assurance report on ASX pro forma balance sheet	18	-
IPO assurance services	160	-
Total other services	206	-
Total fees paid to auditor	340	58

Total fees of \$160k were paid to PricewaterhouseCoopers in relation to IPO assurance services. Of these costs \$141k are included within IPO, Listing and Capital raising costs expense in the current year with the remaining \$19k being attributed to the cost of issue of shares and offset in contributed equity.

7. INCOME TAX

\$NZ000's	2016	2015
(a) Tax expense		
Loss before tax	(13,309)	(13,155)
Tax calculated at domestic tax rates applicable	(3,752)	(3,627)
Expenses not deductible and other	830	57
Losses not recognised	2,715	3,489
Prior year adjustment	(165)	(201)
Tax (benefit)/expense	(42)	(282)
Comprising:		
Current tax	96	126
Deferred tax	(138)	(408)
	(42)	(282)
(b) Deferred tax balance		
Provisions	546	408
	546	408

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 2016, the Group recognised deferred tax assets on temporary differences totalling \$546k (2015: \$408k) since it was foreseeable that temporary differences could be offset against future taxable profits. On the basis of the approved business plans of subsidiaries, AFT Pharmaceuticals Limited 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 amount of tax losses carried forward that is available for future utilization is \$21,531k (FY 2015: \$12,686k). No deferred tax asset has been recognized in relation to these losses.

7. INCOME TAX (continued)

\$NZ000's	2016	2015
(c) Imputation credits available for use	953	1,443

8. INVENTORIES

\$NZ000's	2016	2015
Inventory on hand	18,117	14,899
Provision for obsolescence	(431)	(213)
	17,686	14,686

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.

9. TRADE AND OTHER RECEIVABLES

\$NZ000's	2016	2015
Trade receivables	15,446	10,448
Prepayments	842	803
	16,288	11,251

Ageing of overdue trade debtors but not considered impaired

\$NZ000's	1-30 Days	31-60 Days	61-90 Days	90+ Days	Total
31 March 2016	2,641	87	-	31	2,759
31 March 2015	630	-	-	3	633

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

10. CASH AND CASH EQUIVALENTS

\$NZ000's	2016	2015
Cash at bank	7,936	4,654
Cash on hand	44	46
	7,980	4,700
Cash on term deposit	20,075	-
Total cash	28,055	4,700

Cash at bank earns on average less than 1% of interest.
Term deposits are at various interest rates and maturity dates, all within 12 months

11. PROPERTY PLANT & EQUIPMENT

\$NZ000's	Plant and Machinery	Furniture and Fixtures	Vehicles	Total
(a) Cost				
Balance 31 March 2014	470	359	277	1,106
Additions	106	11	22	139
Disposals	-	(8)	(32)	(40)
Balance 31 March 2015	576	362	267	1,205
Additions	118	34	-	152
Disposals	-	-	(49)	(49)
Balance 31 March 2016	694	396	218	1,308
(b) Depreciation				
Balance 31 March 2014	(359)	(142)	(200)	(701)
Depreciation	(75)	(27)	(27)	(129)
Disposals	-	6	30	36
Balance 31 March 2015	(434)	(163)	(197)	(794)
Depreciation	(103)	(29)	(22)	(154)
Disposals	-	-	47	47
Balance 31 March 2016	(537)	(192)	(172)	(901)
(c) Carrying amounts				
Balance 31 March 2015	142	199	70	411
Balance 31 March 2016	157	204	46	407

12. INTANGIBLE ASSETS

\$NZ000's	Trademarks	Patents	Software	Total
(a) Cost				
Balance 31 March 2014	183	1,385	204	1,772
Additions	95	217	37	349
Disposals	-	-	-	-
Balance 31 March 2015	278	1,602	241	2,121
Additions	161	377	19	557
Disposals	-	(1)	-	(1)
Balance 31 March 2016	439	1,978	260	2,677
(b) Amortisation				
Balance 31 March 2014	-	(174)	(179)	(353)
Amortisation	-	(73)	(26)	(99)
Disposals	-	-	-	-
Balance 31 March 2015	-	(247)	(205)	(452)
Amortisation	-	(91)	(23)	(114)
Disposals	-	-	-	-
Balance 31 March 2016	-	(338)	(228)	(566)
(c) Carrying amounts				
Balance 31 March 2015	278	1,355	36	1,669
Balance 31 March 2016	439	1,640	32	2,111

Trademarks are acquired to protect the current and future revenue streams of the group. They are considered to have an indefinite useful life whilst they continue to protect revenue streams.

13(a). INVESTMENT IN SUBSIDIARIES

	Interest Held		Country of Incorporation	Principal Activities
	2016%	2015%		
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	Distribution of pharmaceuticals in Malaysia
AFT Orphan Pharmaceuticals Limited	65%	65%	New Zealand	No activity
AFT Limited Partner Limited	100%	-	New Zealand	Partner in Dermatology Specialties LP
AFT Dermatology Limited	100%	-	New Zealand	Distribution of pharmaceuticals
DSGP Limited	50%	-	New Zealand	General Partner of Dermatology Specialties LP

Investment comprises ordinary shares held at cost.
All subsidiaries have a balance date of 31 March.

13(b). INVESTMENT IN JOINT VENTURE PARTNERSHIP

\$NZ000's	2016	2015
Interest in joint venture company, at cost	487	-
Equity accounted earnings of joint venture partnership	(302)	-
Net equity investment in joint venture partnership	185	-

The joint venture partnership of the Group and its activities are as follows:

	2016 % Interest held	2015 % Interest held
Dermatology Specialties LP	50%	-

Principle activities: Development and distribution of pharmaceuticals

Dermatology Specialties LP was incorporated on 22 June 2015 and had not commenced operations at 31 March 2015.
Movements in investment in the joint venture partnership during the year comprise:

\$NZ000's	2016	2015
Balance at start of year	-	-
Investment during the year	487	-
Share of current year profit/(loss)	(302)	-
Dividend received	-	-
Balance at end of year	185	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

13(b). INVESTMENT IN JOINT VENTURE PARTNERSHIP (Continued)

The following table summarises the financial information relating to the Group's joint venture partnership, and represents 100% of the joint venture partnership net assets, revenues and net profits.

\$NZ000's	2016	2015
Extracts from joint venture partnership balance sheet (unaudited)		
Current assets	-	-
Non-current assets	2,169	-
Current liabilities	(117)	-
Non-current liabilities	-	-
Net assets	2,052	-
Extracts from joint venture partnership income statement (unaudited)		
Revenue	-	-
Net profit after taxation	(604)	-

The joint venture did not have any contingent liabilities or capital commitments at balance date (2015: nil)

14. TRADE AND OTHER PAYABLES

\$NZ000's	2016	2015
Trade payables	8,140	5,661
GST payable	616	671
Employee entitlements	621	382
Other payables	1,051	1,544
	10,428	8,258

15. PROVISIONS

\$NZ000's	2016	Additional Provisions	Utilised	2015	Additional Provisions	Utilised	2014
Customer rebates	2,422	2,422	(998)	998	963	(215)	250
Supplier rebates	661	661	(892)	892	464	-	428
	3,083	3,083	(1,890)	1,890	1,427	(215)	678

Customer rebates are based on the customers' ability to achieve certain sales targets and are computed using the expected rebate percentage for sales made during the period.

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.

16. INTEREST BEARING LIABILITIES

\$NZ000's	2016	2015
CRG (Capital Royalty Partners) loans	23,161	20,739
	23,161	20,739

The term loan agreement with CRG commenced in May 2014 and has a facility to be drawn down up to US\$30million. It is for a six year term for which the first four years only interest is payable, some of which may be compounded, with the principal to be repaid in equal quarterly instalments in years five and six.

The loan has a general security over the assets of the Group together with a group guarantee. Interest is fixed at 13.5% p.a. Details of the two covenants relevant to the loan are in note 24 Management of Capital.

The fair value of the CRG loan is \$19.9million (2015: \$20.1million) based on a discounted cashflow calculation considered to be level 3 in the fair value hierarchy.

17. SHARE CAPITAL

	Shares		Shares	
	2016 Number	2015 Number	2016 \$'000	2015 \$'000
\$NZ000's				
Ordinary share capital	96,834,838	1,179,600	55,994	41
Series A Preferred Shares	-	140,000	-	13,894
Less capital raising costs			(2,092)	(1,043)
	96,834,838	1,319,600	53,902	12,892
\$NZ000's			2016 \$'000	2015 \$'000
Share capital at beginning of the year			12,892	33
Issue of Series A Preferred Shares			-	13,894
Issue of Series B Preferred Shares			9,392	-
IPO			32,675	-
Less capital raising costs			(1,057)	(1,035)
			53,902	12,892

FY 2015:

119,600 Series A Preferred Shares were authorized, issued, fully paid with no par value in May 2014. The Series A Preferred Shares carried a yield of net 6% payable to the holder in cash quarterly or at the election of the company satisfied by the issue of further shares. All dividends were paid in cash during the period. There were a total of 140,000 Series A Preferred Shares as at 31 March 2015. The Series A Preferred shares converted to ordinary shares immediately before the closing of the public offering of shares in the company which resulted in a market capitalisation of the company of at least US\$150million. The Series A Preferred shares carried voting rights on all shareholder resolutions, with each Series A Preferred share carrying one vote for each ordinary share into which it is able to convert.

All shares have equal voting rights.

FY 2016:

During May, June and July 2015 the Group issued 54,120 new Series B Preferred Shares at US\$129 each to existing shareholders, Directors and a group of specialist pharmaceutical investors. These were fully subscribed and increased equity by NZD\$9.4million. The series B Preferred shares carried a yield of net 5% payable in cash quarterly.

The Series B Preferred Shares converted 1:1 automatically immediately before the closing of the public offering of shares in the company which resulted in a market capitalisation of the company of at least US\$150million. The Series B Preferred Shares did not carry voting rights other than on class matters particular to the Series B Preferred Shares.

In December 2015, the company completed an Initial Public Offering (IPO), culminating with dual listing on both the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX) on 22 December 2015. This IPO involved raising \$32.6m of new equity, all being Ordinary shares, the conversion of all Preference shares (both A and B) to Ordinary shares, and the sell down by the Atkinson Family Trust of 1.07 million shares. In addition 7,700 Ordinary shares were issued to staff at nil consideration.

At 31 March 2016 there were 96,834,838 Ordinary shares on issue.

In addition, staff of AFT Pharmaceuticals limited were issued with 861,000 options to purchase one ordinary share per option in the company at the issue price of NZ\$2.80 per share. 166,963 of these options may be exercised after 22 December 2017 with the balance exercisable on 22 December 2018 or later.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 March 2016

18. RECONCILIATION OF PROFIT AFTER TAX WITH NET CASH FLOW FROM OPERATING ACTIVITIES

\$NZ000's	2016	2015
Loss after tax	(13,267)	(12,873)
Non-cash items:		
Depreciation	154	129
Amortisation	114	99
Impact of foreign exchange on cash and cash equivalents	(1,773)	95
Movement in working capital:		
(Increase)/Decrease in inventories	(1,387)	(2,058)
(Increase)/Decrease in trade and other receivables	(5,222)	(1,954)
Increase/(Decrease) in trade and other payables	7,028	3,843
Increase/(Decrease) in income tax	(76)	(386)
Net cash used in operating activities	(14,429)	(13,105)

19. RELATED PARTIES

The Group had related party relationships with the following entities:

Related party	Nature of relationship
Redvers Limited	Common Director
Mainz Consulting Limited	Common Director
CRG (Capital Royalty Partners)	Shareholder

The following transactions were carried out with these related parties:

(i) Consultation fees

\$NZ000's	2016	2015
Redvers Limited	113	101
Mainz Consulting Limited	21	55
Total consultation fees	134	156

No Redvers consultation fees were owing in Trade and other payables at 31 March 2016 (FY 2015: \$60,000). These consultancy services ceased following completion of the IPO. Both Jon Lamb (Redvers) and Doug Wilson (Mainz) now receive directors fees for their services provided as directors, together with compensation set at a daily rate should they perform any duties outside the scope of their roles as directors.

(ii) Loans

\$NZ000's	2016	2015
CRG (Capital Royalty Partners) – refer to note 16	23,161	20,739
Total loan balances	23,161	20,739

(iii) Key management compensation

\$NZ000's	2016	2015
Directors fees	187	-
Other Director remuneration	134	-
Executive salaries	1,067	694
Short term benefits	39	-
Key management compensation	1,427	694

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. The Chief of Staff is the spouse of the Chief Executive Officer.

19(b). STAFF SHARE OPTIONS

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

	2016		2015	
	Average exercise price \$ per share	Options '000's	Average exercise price \$ per share	Options '000's
Balance at beginning of year		-	-	-
Issued	2.80	861	-	-
Forfeited		-	-	-
Exercised		-	-	-
Lapsed		-	-	-
Balance at end of year	2.80	861	-	-

Weighted average share price for options exercised during the period \$nil (2015: \$nil).

Of the 861,000 outstanding options, nil are currently exercisable (2015: nil).

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

Expiry Month	Exercise Month	Exercise Price	2016	2015
April-2020	December-2017	2.80	155,296	-
April-2020	December-2018	2.80	705,704	-
Total share options outstanding			861,000	-

The weighted average remaining contractual life of options outstanding at the end of the period was 4 years (2015: nil)

Share options reserve

\$NZ000's	2016	2015
Balance at beginning of year		
Current year amortisation	(65)	-
Options forfeited and lapsed transferred to retained earnings	-	-
Options exercised transferred to share capital	-	-
Balance at end of year	(65)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 March 2016

20. FINANCIAL RISK MANAGEMENT**(a) Managing financial risk**

The Company's activities expose it to various financial risks as detailed below.

• Market risk

Management is of the opinion that the Group's exposure to market risk at balance date is defined as:

Risk Factor	Description	Sensitivity
(i) Currency risk	Exposure to changes in foreign exchange rates on assets and liabilities of the subsidiary	As below
(ii) Interest rate risk	Exposure to changes in interest rates on borrowings	As below
(iii) Other price risk	No commodity securities are bought, sold or traded	Nil

• Foreign exchange risk

The Group purchase goods and services from overseas suppliers in a number of currencies, primarily, NZD, AUD, USD, EUR and GBP, and has borrowings which are denominated in US Dollar amounts. This exposes the Group to foreign currency risk. The Group manages foreign currency risk through use of derivative arrangements, the exposure is monitored on a regular basis based on Group foreign exchange policies.

A 1% increase or decrease in foreign exchange rates on assets and liabilities will reduce/increase equity by \$113,000 (2015: \$113,000) and reduce/increase the profit or loss by \$296,330 (2015: \$131,000).

The following forward foreign exchange contracts were held at the end of the 2016 financial year:

Forward Foreign Exchange Contracts					
Buy Currency	Buy Currency Amount ('000)	Sell Amount NZD ('000)	Buy Amount 31-Mar-16 NZD ('000)	MTM Value NZD ('000)	
EUR	3,500	5,914	5,815	(99)	
GBP	610	1,358	1,278	(80)	
USD	5,755	8,626	8,403	(223)	
Total exposure as at 31 March 2016:				(402)	

All contracts mature within one year from 31 March 2016.

• Interest rate risk

Borrowings are at a fixed interest rate 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 2016 with the largest debtor being \$4,525,638 (2015: \$3,563,128). There has been no past experience of default and no indications of default in relation to this debtor. There are no impaired receivables at 31 March 2016 (2015: nil).

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 32.3% of total assets at the Bank of New Zealand (2015: 8.4%), 2.7% at NAB Bank (2015: 5.4%) and 7.6% with ANZ (2015: nil). 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. Since May 2014, there has been a \$1million BNZ overdraft immediately available and an undrawn fund facility from Capital Royalty Partners which can be drawn as required by the Group.

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

Liquidity Profile					
\$NZ000's 31 March 2016	< 1 Year	1-2 Years	2-5 Years	> 5 Years	Total
Trade and other payables	(11,220)	-	-	-	(11,220)
Borrowings	-	-	-	(37,462)	(37,462)
Derivative liabilities (outbound)	(15,496)	-	-	-	(15,496)
Derivative liabilities (inbound)	15,094	-	-	-	15,094
Totals	(11,622)	-	-	(37,462)	(49,084)

\$NZ000's 31 March 2015	< 1 Year	1-2 Years	2-5 Years	> 5 Years	Total
Trade and other payables	(8,258)	-	-	-	(8,258)
Borrowings	-	-	-	(33,545)	(33,545)
Derivative liabilities (outbound)	(10,027)	-	-	-	(10,027)
Derivative liabilities (inbound)	9,722	-	-	-	9,722
Totals	(8,563)	-	-	(33,545)	(42,108)

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 March 2016

21. SEGMENT REPORTING

\$NZ000's 31 March 2016	Operating Segments				Total
	Australia	New Zealand	Asia	Rest of World	
Revenue	31,224	31,135	648	1,007	64,014
Other income	-	1	-	2,294	2,295
Depreciation and amortisation	30	233	5	-	268
Loss before tax	(3,233)	(5,430)	(1,015)	(4,159)	(13,837)
Finance income	-	291	-	-	291
Finance costs	(13)	(2,012)	6	-	(2,019)
Total assets	18,578	46,515	211	-	65,304
Property, plant and equipment	61	334	11	1	407
Intangible assets	-	2,111	-	-	2,111
Capital expenditure	54	648	2	-	704
31 March 2015					
Revenue	26,324	29,398	161	358	56,241
Other income	-	-	-	1,270	1,270
Depreciation and amortisation	16	209	3	-	228
Loss before tax	(4,409)	(4,470)	(978)	(3,298)	(13,155)
Finance income	-	35	-	-	35
Finance costs	(385)	(6,817)	(23)	-	(7,225)
Total assets	11,436	22,111	(334)	-	33,213
Property, plant and equipment	34	366	11	-	411
Intangible assets	-	1,669	-	-	1,669
Capital expenditure	19	456	13	-	488

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 which determines the allocation of the resources to segments and assesses their performance.

The Group has four operating segments based on geographical location 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, all marketing activity and all finance activity. The sales and distribution activity principally relates to the New Zealand market.

Australia – Includes the sales and distribution activity relating to the Australian market.

Asia – Includes the sales and distribution activity relating to the Asian market (Brunei, Hong Kong, Malaysia, Philippines, Singapore and Vietnam).

Rest of World – Includes the out licensing of IP developments to markets in which AFT does not have a presence and the export of products to export markets (Balkans, Iraq, Pacific Islands, Saudi Arabia, UAE). 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) represent approximately NZ\$11.99million (2015: NZ\$10.88million) and from one customer of the New Zealand segment (also being a licensed wholesaler) represent approximately \$12.91million (2015: \$12.00million) of the Group's total revenues.

22. CONTINGENT LIABILITIES

In May 2015, AFT Pharmaceuticals Ltd signed as guarantor of AFT Pharmaceuticals Pty Ltd for its 5-year lease contract with Shannon Wicks Pty Ltd for the premises occupied in Sydney, Australia. The company has placed NZD\$75,000 on term deposit with the BNZ. This sum is security for a guarantee issued by the BNZ in favour of the NZX, should the company ever default on any of its payment obligations to NZX.

23. COMMITMENTS

(a) Capital Commitments

The Group has no capital commitments at 31 March 2016 (2015: nil).

(b) Lease Commitments

\$NZ000's	2016	2015
Due within one year	888	749
Due later than one year but within five years	643	783
Due later than 5 years	-	-
	1,531	1,532

The above includes leases for property, vehicles and equipment.

The company has entered into contracts to complete clinical trials overseas. These contracts call for stage or milestone payments to be made progressively when those stages or milestones are achieved. Certain conditions allow for the termination of the trials, with future obligations extinguished. The aggregate expected amounts likely to be paid under these contracts is NZ\$9.8million.

The Group leases the business premises in Takapuna, Auckland, New Zealand for \$387,000 plus GST (including operating expenses) per annum. It has an initial term of 6 years which will expire on 11 April 2017 with one right of renewal for another 4 years with final expiry on 12 April 2021. The Group also leases premises in North Ryde, Sydney Australia for AUD\$106,456 (including operating expenses) per annum. It has an initial term of 5 years which will expire on 15 May 2020 with one right of renewal for another 5 years with final expiry on 14 May 2025. The Group also leases a number of motor vehicles and office equipment which all have a final expiry date not exceeding 3 years 6 months.

24. 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.

The Group refinanced in May 2014 with the introduction of \$12.9million new share capital (as detailed in note 17) and the introduction of long term debt (as detailed in note 16).

The long term debt in the form of the CRG Loan was used to replace the trade facility from the BNZ in May 2014.

Under the CRG Loan Agreement there are two covenants. The first requires a minimum bank balance of NZ\$4million at each month end. The second is for Revenues to exceed NZ\$64.5million for the 2016 financial year (2015: NZ\$60million). The 2015 financial year revenue covenant was waived on 18 February 2015.

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 40% of acceptable stock. The Group has complied with these covenants during the 2016 financial year.

In May 2015 the group raised \$9.4m of further equity through the issuance of Preference B Shares. In December 2015 a further \$32.6m was raised through an initial public offering of shares which are jointly listed on both the NZX and ASX. Details are covered in Note 17.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the Year Ended 31 March 2016

25. EARNINGS PER SHARE

\$NZ000's	2016	2015
Loss after tax	(13,267)	(12,873)
Weighted average ordinary shares	27,576,214	1,179,600
Basic and diluted earnings/(loss) per share (\$)	(0.48)	(10.91)

Basic earnings per share is computed by dividing net earnings by the weighted average number of ordinary shares outstanding during each period. Preferred shares are considered to be anti-dilutive for the earnings per share calculation.

Diluted earnings per share is computed by dividing net earnings adjusted for the share options cost, by the diluted weighted average number of ordinary shares (as if all options have been exercised).

26. DIVIDENDS PER SHARE

No dividends have been declared to the ordinary shareholders of the parent company during the current year, nor in the FY 2015.

28. SUBSEQUENT EVENTS

There were no material events occurring after balance date and before the date of approval of the financial statements requiring recognition or disclosure.

