



**Condensed
Consolidated
Interim Financial
Statements**

FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2020

A|F|T *pharmaceuticals*
Working to improve your health



INDEPENDENT REVIEW REPORT TO THE SHAREHOLDERS OF AFT PHARMACEUTICALS LIMITED

We have reviewed the condensed consolidated interim financial statements of AFT Pharmaceuticals Limited and its subsidiaries ('the Group') which comprise the consolidated balance sheet as at 30 September 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended on that date, and a summary of significant accounting policies and other explanatory information on pages 4 to 18.

This report is made solely to the company's shareholders, as a body. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our engagement, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The Board of Directors are responsible for the preparation and fair presentation of the condensed consolidated interim financial statements, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting* and for such internal control as the Board of Directors determine is necessary to enable the preparation and fair presentation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibilities

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ('NZ SRE 2410'). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. As the auditor of AFT Pharmaceuticals Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of the condensed consolidated interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

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

This review report relates to the unaudited condensed consolidated interim financial statements of AFT Pharmaceuticals Limited for the six months ended 30 September 2020 included on AFT Pharmaceuticals Limited's website. The Board of Directors is responsible for the maintenance and integrity of AFT Pharmaceuticals Limited website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements and related review report dated 19 November 2020 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 30 September 2020 and its financial performance and cash flows for the six months ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*.

A handwritten signature in cursive script that reads "Deloitte Limited".

Deloitte Limited

Auckland, New Zealand
19 November 2020

This review report relates to the unaudited condensed consolidated interim financial statements of AFT Pharmaceuticals Limited for the six months ended 30 September 2020 included on AFT Pharmaceuticals Limited's website. The Board of Directors is responsible for the maintenance and integrity of AFT Pharmaceuticals Limited website. We have not been engaged to report on the integrity of the entity's website. We accept no responsibility for any changes that may have occurred to the unaudited condensed consolidated interim financial statements since they were initially presented on the website. The review report refers only to the unaudited condensed consolidated interim financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements and related review report dated 19 November 2020 to confirm the information included in the unaudited condensed consolidated interim financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 September 2020

\$NZ000's	Note	Unaudited 6 Mths Ended 30-Sep-20	Unaudited 6 Mths Ended 30-Sep-19
Revenue	12	48,821	46,946
Cost of sales		(28,489)	(25,598)
Gross Profit		20,332	21,348
Other income		230	336
Selling and distribution expenses		(12,387)	(12,938)
General and administrative expenses		(3,895)	(4,536)
Research and development expenses		(1,858)	(223)
Equity accounted loss of joint venture entity	11	-	(80)
Gain on derecognition of equity accounted investment and recognition of net assets acquired at fair value in a step acquisition	11	-	9,784
Operating Profit		2,422	13,691
Finance income		4	14
Interest expense		(1,796)	(3,425)
Other finance costs		599	(369)
Profit before tax		1,229	9,911
Tax expense		(37)	(5)
Profit after tax attributable to owners of the parent		1,192	9,906
Basic and diluted earnings per share (\$)		0.01	0.10

Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 September 2020

	Unaudited 6 Mths Ended 30-Sep-20	Unaudited 6 Mths Ended 30-Sep-19
\$NZ000's		
Profit after tax	1,192	9,906
Other comprehensive income		
Items that may be reclassified to profit and loss:		
Exchange difference on translation of foreign operations	(63)	(245)
Other comprehensive loss for the period, net of tax	(63)	(245)
Total comprehensive income for the period attributable to owners of the parent	1,129	9,661

Consolidated Statement of Comprehensive Income

For the Six Months Ended 30 September 2020

\$NZ000's	Note	Share capital	Redeemable preference share reserve	Share options reserve	Foreign currency translation reserve	Retained earnings	Total equity
Balance as at 31 March 2019		63,743	1,241	682	431	(61,006)	5,091
Unaudited							
Six months to 30 September 2019							
Profit after tax		-	-	-	-	9,906	9,906
Other comprehensive loss		-	-	-	(245)	-	(245)
Total comprehensive income		-	-	-	(245)	9,906	9,661
Preference dividends accumulated		-	254	-	-	-	254
Movement in share options reserve		-	-	68	-	-	68
Preference dividends paid or accumulated		-	-	-	-	(492)	(492)
Balance as at 30 September 2019		63,743	1,495	750	186	(51,592)	14,582
Unaudited							
Six months to 31 March 2020							
Profit after tax		-	-	-	-	2,786	2,786
Other comprehensive income		-	-	-	166	-	166
Total comprehensive income		-	-	-	166	2,786	2,952
Preference dividends accumulated		-	174	-	-	-	174
Issued share capital		3	-	-	-	-	3
Movement in share options reserve		-	-	13	-	33	46
Preference dividends paid or accumulated		-	-	-	-	(502)	(502)
Balance as at 31 March 2020		63,746	1,669	763	352	(49,275)	17,255
Unaudited							
Six months to 30 September 2020							
Profit after tax		-	-	-	-	1,192	1,192
Other comprehensive income		-	-	-	(63)	-	(63)
Total comprehensive income		-	-	-	(63)	1,192	1,129
Issue of share capital	8	12,375	-	-	-	-	12,375
Capital raising expenses		(723)	-	-	-	-	(723)
Movement in share options reserve		-	-	(549)	-	586	37
Movement in RPS Reserve		1,669	(1,669)	-	-	-	-
Preference dividends paid or accumulated		-	-	-	-	(187)	(187)
Balance 30 September 2020		77,067	-	214	289	(47,684)	29,886

Consolidated Balance Sheet

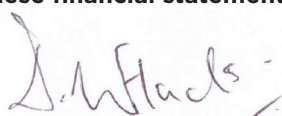
As at 30 September 2020

\$NZ000's	Note	Unaudited As at 30-Sep-20	Audited As at 31-Mar-20	Unaudited As at 30-Sep-19
ASSETS				
Current assets				
Inventories		35,995	22,734	26,835
Trade and other receivables		16,576	25,969	19,998
Cash and cash equivalents		5,870	6,119	7,308
Derivative assets	13	108	514	665
Total current assets		58,549	55,336	54,806
Non-current assets				
Property, plant and equipment		295	315	350
Intangible assets		30,704	26,984	23,410
Right of use assets		3,722	3,712	3,954
Deferred income tax assets		713	705	710
Total non-current assets		35,434	31,716	28,424
Total assets		93,983	87,052	83,230
LIABILITIES				
Current liabilities				
Trade and other payables		18,877	18,292	16,071
Provisions		836	4,195	2,602
Lease liabilities	7	595	506	534
Current income tax liability		-	109	-
Derivative liabilities	13	193	-	-
Interest bearing liabilities	7	5,447	2,000	45,808
Total current liabilities		25,948	25,102	65,015
Non-current liabilities				
Lease liabilities	7	3,449	3,495	3,633
Interest bearing liabilities	7	34,700	41,200	-
Total non-current liabilities		38,149	44,695	3,633
Total liabilities		64,097	69,797	68,648
EQUITY				
Share capital	8	77,067	63,746	63,743
Retained earnings/(losses)		(47,684)	(49,275)	(51,592)
Share options reserve		214	763	750
Redeemable preference share reserve	8	-	1,669	1,495
Foreign currency translation reserve		289	352	186
Total equity		29,886	17,255	14,582
Total liabilities and equity		93,983	87,052	83,230

For and on behalf of the Board who authorised these financial statements for issue on 19 November 2020



Hartley Atkinson
Managing Director and Chief Executive Officer



David Flacks
Chairman

Consolidated Statement of Cash Flows

For the Six Months Ended 30 September 2020

	Unaudited 6 Mths Ended 30-Sep-20	Unaudited 6 Mths Ended 30-Sep-19
\$NZ000's		
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	58,091	46,833
Payments to suppliers and employees	(60,689)	(40,548)
Tax paid	(146)	(150)
Net cash (used in)/generated from operating activities	(2,744)	6,135
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(27)	(50)
Investment in intangible assets	(3,862)	(2,720)
Net cash used in investing activities	(3,889)	(2,770)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest received	4	14
Interest and finance cost paid	(1,359)	(2,618)
Right of use lease interest paid	(145)	(152)
Right of use lease liability paid	(204)	(292)
Proceeds from issue of share capital	12,375	-
Capital raising cost paid	(723)	-
Borrowings repaid	(4,750)	(14,493)
New borrowings	-	15,000
Overdraft	1,697	-
Dividends paid	(187)	(237)
Net cash from/(used in) financing activities	6,708	(2,778)
Net increase in cash	75	587
Impact of foreign exchange on cash and cash equivalents	(324)	(195)
Opening cash and cash equivalents	6,119	6,916
Closing cash and cash equivalents	5,870	7,308

Notes to the Financial Statements

For the Six Months Ended 30 September 2020

1. GENERAL INFORMATION

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

These condensed consolidated interim financial statements were approved by the Directors on 19 November 2020 and are not audited, but have been reviewed by Deloitte Limited in accordance with the New Zealand Standard on Review Engagements 2410.

2. BASIS OF PREPARATION

These general-purpose financial statements for the six months to 30 September 2020 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IAS 34 and IAS 34, Interim Financial Reporting. The Group is a for-profit entity for the purposes of complying with NZ GAAP.

These condensed consolidated interim financial statements do not include all the notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements for the year ended 31 March 2020, which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

The same accounting policies and methods of computation are followed in the condensed consolidated interim financial statements as compared to the audited financial statements for the year ended 31 March 2020, as described in those annual financial statements.

3. GOING CONCERN ASSUMPTION

The financial statements have been prepared on a going concern basis.

Impact of Covid19

AFT, like every other organization and individual, is impacted by the global Covid19 pandemic. Pharmaceuticals are classified as an essential service and the Group has continued to operate through this situation. The initial impact on the Group overall has been favourable with an increase in demand for specific products such as Analgesics (e.g. Maxigesic), Vitamin C Liposachets, Cold and Flu products and Antibiotics. In the local Australasian market, AFT has a broad product portfolio across many therapeutic areas which are largely unaffected in a sales sense by Covid19 pandemics since the associated medical conditions continue and regardless require treatment. AFT where possible has multiple manufacturing sites for its main products such as Maxigesic and these also feature different geographies to lessen country risk. Covid19 is an evolving issue worldwide and the Directors continue to monitor the full economic and financial impacts on the Group.

Potential areas of impact are sales volumes and prices, supply timing/interruption and pricing, with the resulting stock levels and cash flow timings. In order to safeguard against the potential impacts, the Group has increased average stock holdings to between five and six months.

Notes to the Financial Statements (continued)

For the Six Months Ended 30 September 2020

4. SIGNIFICANT TRANSACTIONS FOR THE CURRENT PERIOD

There were no other significant transactions during the current period.

5. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Revised accounting standards did not have an impact on AFT's adopted accounting policies.

6. SEASONALITY OF OPERATIONS

AFT Pharmaceuticals Ltd currently earns most of its incomes from the Australian and New Zealand markets. Seasonal factors mean that revenues and operating profits are expected to be higher in the second half of the financial year, than those of the first 6 months. In the financial year ended 31 March 2020, 44% of revenues accumulated in the first half and 56% accumulated in the second half.

7. INTEREST BEARING LIABILITIES

\$NZ000's	Unaudited As at 30-Sep-20	Audited As at 31-Mar-20	Unaudited As at 30-Sep-19
Lease liabilities	4,044	4,001	-
BNZ overdraft	1,697	-	-
BNZ Term loans current portion	3,750	2,000	-
BNZ Term loans non-current portion	34,700	41,200	15,000
CRG (Capital Royalty Partners) loans	-	-	30,808
TOTAL	44,191	47,201	45,808

The CRG loan facilities were repaid in full on 31 March 2020. At 30 September 2020 the CRG loan balance owing was \$nil (30 September 2019: \$30.808m)

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 principle over the three-year term. The loan attracts an effective interest rate of 8.48%, which is a reduction to the interest rates charged on the repaid CRG loan, resulting in a reduction of interest costs during the period. At 30 September 2020 the BNZ loan balances owing were \$38.45m (30 September 2019: \$15m).

Notes to the Financial Statements (continued)

For the Six Months Ended 30 September 2020

8. SHARE CAPITAL

Ordinary shares

On 15 June 2020 the Group issued 2,666,667 ordinary shares at a price of \$3.75 per share, raising NZ\$10m. On 2 July 2020 a Share Purchase Plan was completed at a price of \$3.75 per share. The SPP was fully subscribed with 533,333 ordinary shares being issued and raising NZ\$2m. The NZ\$723k costs associated with the capital raise are shown within the Consolidated Statement of Changes in Equity.

The funds raised have been applied to reducing working capital facilities and providing stability to fund future anticipated growth.

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 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 the grant date at fair value as calculated independently using the Black Scholes model. During the period 134,000 options were exercised, raising NZ\$375K.

Redeemable preference shares

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.

9. DIVIDENDS PAID

Ordinary shares

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

Redeemable preference shares

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 from the start of the accounting period up to the date of conversion were \$187,574 (including withholding tax) and were paid in cash.

Notes to the Financial Statements (continued)

For the Six Months Ended 30 September 2020

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

\$NZ000's	Unaudited As at 30-Sep-20	Unaudited As at 30-Sep-19
Profit after tax	1,192	9,906
Non-cash items and items classified as financing activities		
Depreciation	422	417
Amortisation	141	109
Tax expense	37	195
Share options expense	37	68
Interest and finance expenses	1,796	3,425
Unrealised FX (gains) / losses	(318)	2,825
Share of JV Loss	-	80
Gain on derecognition of equity accounted investment and recognition of net assets acquired at fair value in a step acquisition	-	(9,784)
Interest income	(4)	(14)
Movement in working capital:		
(Increase) in inventories	(13,261)	(1,678)
Decrease/(Increase) in trade and other receivables	9,799	(1,477)
Decrease/(Increase) in trade and other payables	(2,586)	2,063
Net cash from/(used in) operating activities	(2,745)	6,135

11. INVESTMENT IN JOINT VENTURE PARTNERSHIP

During the previous reporting period the group acquired the remaining 50% of Dermatology Specialities Limited Partner (DSLPL), from its joint venture partner Tardimed Sciences LLC.

As a result of the transaction the Group retained rights to the intellectual property, future product sales and royalties. The Group engaged external independent valuers to assist in determining the fair value of the Pascomer intellectual property, and after taking into account the inherent uncertainties of both the successful conclusion of clinical trials and the successful registration with orphan status, the Group determined the fair value of the Pascomer intellectual property to be \$12.5m.

The following fair values were recognised during the prior period within the consolidated financial statements in respect of DSLP

Intangible asset – Pascomer IP	\$12.5m
Inventory	\$0.3m
Trade marks	\$0.1m
Gain on derecognition of equity accounted investment and recognition of net assets acquired at fair value in a step acquisition	\$9.8m

The clinical trials have been progressing positively and other than the slowdown resulting from Covid19, the Group remains confident of a successful outcome and have accordingly retained the fair value of \$12.5m.

Notes to the Financial Statements (continued)

For the Six Months Ended 30 September 2020

12. OPERATING SEGMENTS

\$NZ000's	OPERATING SEGMENTS				
	Australia	New Zealand	Southeast Asia	Rest of World	TOTAL
Unaudited					
30 September 2020					
Revenue - sale of goods	28,552	13,709	2,198	3,969	48,428
Revenue - royalty income	-	-	-	96	96
Revenue - licensing	-	-	-	297	297
Revenue	28,552	13,709	2,198	4,362	48,821
Other income	-	-	46	184	230
Depreciation and amortisation	235	327	1	-	563
Operating profit/(loss)	3,195	(1,425)	721	(69)	2,422
Finance income	-	4	-	-	4
Interest expense	(51)	(1,745)	-	-	(1,796)
Other finance costs	456	246	(103)	-	599
Gain / (Loss) before tax	3,600	(2,920)	618	(69)	1,229
Total Assets	30,961	50,482	40	12,500	93,983
Property, plant and equipment	36	256	3	-	295
Intangible assets	-	18,204	-	12,500	30,704
ROU assets	1,126	2,596	-	-	3,722
Capital expenditure	4	23	-	-	27
Unaudited					
		*restated		*restated	
30 September 2019					
Revenue - sale of goods	25,697	13,691	2,369	2,533	44,290
Revenue - royalty income	-	-	-	124	124
Revenue - licensing	-	-	-	2,532	2,532
Revenue	25,697	13,691	2,369	5,189	46,946
Other income	-	142	-	194	336
Depreciation and amortisation	(232)	(292)	(2)	-	(526)
Equity accounted loss of joint venture entity	-	-	-	(80)	(80)
Gain on derecognition of equity accounted investment and recognition of net assets acquired at fair value in a step acquisition	-	-	-	9,784	9,784
Operating profit/(loss)	1,861	(1,378)	98	13,110	13,691
Finance income	-	14	-	-	14
Interest expense	(43)	(3,382)	-	-	(3,425)
Other finance costs	(744)	273	102	-	(369)
Gain / (Loss) before tax	1,074	(4,473)	200	13,110	9,911
Total Assets	22,957	47,558	215	12,500	83,230
Property, plant and equipment	46	291	13	-	350
Intangible assets	-	10,910	-	12,500	23,410
ROU assets	1,086	2,868	-	-	3,954
Capital expenditure **restated	7	40	3	-	50

*The New Zealand operating segment includes the costs associated with the Group's Head Office function. In the interim financial statements for the period ending 30 September 2019, the Head Office costs were incorrectly included within Rest of World. This has been corrected in the table above.

**Capital expenditure does not include intangible assets.

Notes to the Financial Statements (continued)

For the Six Months Ended 30 September 2020

13. 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	Sensitivity
Foreign exchange risk	Exposure to changes in foreign exchange rates on assets and liabilities of the subsidiary	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 period 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 period for the six months to 30 September 2020 (H1 FY2021) net realised foreign exchange gains totalled \$445,140 (H1 FY2020: \$368,637 loss). The balance of the gains/losses are derived from the restatement of the monetary balances at the spot rate on the period end balance date of 30 September 2020.

In total, the group had financial assets and liabilities denominated in the following currencies, as at 30 September 2020:

Assets NZD \$'000	Currency	Liabilities NZD \$'000
11,822	AUD	3,719
435	SGD	16
229	MYR	50
1,336	EUR	1,002
2,242	USD	1,820
1	GBP	-

Notes to the Financial Statements (continued)

For the Six Months Ended 30 September 2020

FINANCIAL RISK MANAGEMENT (continued)

The following forward foreign exchange contracts were held at 30 September 2020

Forward Foreign Exchange Contracts				
Buy Currency	Buy Currency Amount ('000)	Sell Amount NZD ('000)	Mark to Market 30/09/20 Sell amount NZD ('000)	Fair Value NZD ('000)
EUR	3,785	6,661	6,767	106
GBP	306	603	597	(6)
USD	5,465	8,485	8,298	(187)
Sell Currency	Sell Currency Amount ('000)	Buy amount NZD ('000)	Mark to Market 30/9/20 Buy amount NZD ('000)	Fair Value NZD ('000)
AUD	9,907	10,706	10,704	2
Total liability as at 30/09/2020				(85)

All contracts mature within one year from 30 September 2020.

The following forward foreign exchange contracts were held at 31 March 2020

Forward Foreign Exchange Contracts				
Buy Currency	Buy Currency Amount ('000)	Sell Amount NZD ('000)	Mark to Market 31/03/20 Sell 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)	Mark to Market 31/03/20 Buy amount NZD ('000)	Fair Value NZD ('000)
AUD	1,250	1,348	1,284	64
Total asset as at 31/03/2020				514

All contracts mature within one year from 31 March 2020.

The following forward foreign exchange contracts were held at 30 September 2019

Forward Foreign Exchange Contracts				
Buy Currency	Buy Currency Amount ('000)	Sell Amount NZD ('000)	Mark to Market 31/03/20 Sell amount NZD ('000)	Fair Value NZD ('000)
EUR	3,665	6,372	6,302	70
GBP	252	486	476	10
USD	6,590	9,304	8,719	585
Total asset as at 30/09/2019				665

All contracts mature within one year from 30 September 2019.

Interest rate risk

The BNZ loan is in NZ\$ and priced at base plus margin which floats every renewal period (generally two months).

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.

Notes to the Financial Statements (continued)

For the Six Months Ended 30 September 2020

FINANCIAL RISK MANAGEMENT (continued)

The Group has one significant concentration of credit risk at 30 September 2020 with the largest debtor being \$4,790,000 (30 September 2019: \$2,966,000). 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 6.2% of total assets at NAB Bank (H1 FY2020: 4.3%) and an overdraft position at BNZ (H1 FY2020: 4.3% assets). 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:

Liquidity Profile 30-September-2020	< 1 Year \$000	1-2 Years \$000	2-5 Years \$000	> 5 Years \$000	TOTAL \$000
Trade and other payables	(18,877)	-	-	-	(18,877)
Lease liabilities (including interest)	(868)	(770)	(1,560)	(2,317)	(5,515)
Borrowings (including interest)	(6,507)	(3,953)	(36,105)	-	(46,565)
Derivative instruments (outbound)	(26,455)	-	-	-	(26,455)
Derivative instruments (inbound)	26,370	-	-	-	26,370
Totals	(26,337)	(4,723)	(37,665)	(2,317)	(71,042)

30-September-2019	\$000	\$000	\$000	\$000	\$000
Trade and other payables	(16,071)	-	-	-	(16,071)
Lease liabilities (including interest)	(815)	(682)	(1,642)	(2,723)	(5,862)
Borrowings (including interest)	(47,640)	-	-	-	(47,640)
Derivative instruments (outbound)	(16,162)	-	-	-	(16,162)
Derivative instruments (inbound)	16,827	-	-	-	16,827
Totals	(63,861)	(682)	(1,642)	(2,723)	(68,908)

(b) Fair Values

The carrying values of these financial instruments approximate their fair values because of their short terms to maturity or interest reset dates.

Notes to the Financial Statements (continued)

For the Six Months Ended 30 September 2020

14. RELATED PARTIES

During the period, the Group had related party relationships with the following entities:

Related party	Nature of relationship
CRG (Capital Royalty Group)	AFT Non-Executive Director, Nathan Hukill, is President and Chairman of CRG, the Group that provided the loan that was repaid by AFT on 31 March 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

CRG and Atkinson Family Trust were holders of the redeemable preference shares that were converted into 3,300,000 ordinary shares during the period.

The following transactions were carried out with these related parties:

\$NZ000's	Note	Unaudited As at 30-Sep-20	Audited As at 31-Mar-20	Unaudited As at 30-Sep-19
(i) Loans				
CRG	7	-	-	30,808
Total loan balances		-	-	30,808
(ii) Interest expense				
CRG	7	-	5,648	2,803
(iii) Dividends on redeemable preference shares				
CRG		108	775	383
Atkinson Family Trust		79	219	108

Key management compensation	Unaudited As at 30-Sep-20	Audited As at 31-Mar-20	Unaudited As at 30-Sep-19
Key management compensation			
\$NZ000's			
Directors fees	148	295	146
Executive salaries	565	1,083	551
Short term benefits	293	233	230
Share Options expense	38	42	16
Key management compensation	1,044	1,653	943

Key management includes external Directors, the Chief Executive Officer, the Chief of Staff, the Chief Financial Officer and the Director of International Business Development. These positions are mainly responsible for planning, controlling and directing the activities of the business. The Chief of Staff is the spouse of the Chief Executive Officer.

Notes to the Financial Statements (continued)

For the Six Months Ended 30 September 2020

15. CONTINGENT LIABILITIES

AFT Pharmaceuticals Ltd is a guarantor of AFT Pharmaceuticals Pty Ltd for its lease contract for the premises occupied in Sydney, Australia. AFT Pharmaceuticals Pty Ltd has placed AU\$75,000 on term deposit with NAB in favour of the landlord of the business premises to support this guarantee.

The company has placed NZ\$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.

16. CAPITAL COMMITMENTS

The Group has no capital commitments at 30 September 2020 (31 March 2020: nil, 30 September 2019: nil).

17. SUBSEQUENT EVENTS

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

Notes



AFT PHARMACEUTICALS LIMITED
Condensed Consolidated Interim Financial Statements