2024 ANNUAL REPORT

AFT pharmaceuticals

Working to improve your health

"AFT is a growing multinational pharmaceutical company that develops, markets, and distributes a broad portfolio of pharmaceutical products across a wide range of therapeutic categories."

AFT pharmaceuticals

Working to improve your health

Contents

This report provides a summary review of AFT's operational and financial performance for the year to 31 March 2024. It should be read in conjunction with the company's financial statements on pages 69 to 103 of this report. The information provided in this report has been compiled in accordance with relevant law, rules, and corporate governance recommendations for investor reporting. Financial information has been prepared in accordance with appropriate accounting standards and has been audited by Deloitte Limited. Throughout this report we have focused on what we believe matters most to our stakeholders and our business. We have endeavoured to ensure all information is accurate through internal verification and other approval processes.

Investing for the future – we have extended our reach around the world, expanded our product range, and added new medicines to a research and development portfolio that promises better health outcomes. We have delivered, and continue to focus on, long-term sustainable growth.

Record Revenue and Earnings Strong Global Growth

$195.4m

▲

Total revenue up 25% lifted by growth across all territories and $8.5 million of licensing income

$26.2m

▲

EBITDA[1] reaches record up 22% from $21.4 million

$15.6m

▲

Net profit after tax increases 46% from $10.7 million

$16.2m

▼

Net debt[2] down 45% from $29.9 million, now below EBITDA gearing target

1.6

cents per share

Dividend per share increases on FY23

OUR STRATEGIC ACHIEVEMENTS

Launched our products in 12 new countries taking the total to **73**	Launched Maxigesic IV® and now poised to launch Maxigesic Rapid® in the US	**GAINED REGULATORY APPROVAL** to sell antiseptic Crystaderm® in China's domestic market	**ESTABLISHED NEW BUSINESS HUBS** in the UK, Canada, and the US	Our research and development portfolio extends to **7 PROJECTS** – after four projects commercialised and 3 new projects added	Assessed our carbon footprint against the new Aotearoa New Zealand Climate standards and further evolved our sustainability strategy

[1] EBITDA is a non-GAAP measure of financial performance. It is defined and reconciled to AFT's standard profit measure under New Zealand GAAP of Net Profit After Tax on page 39 of this report.

[2] Net debt is net interest bearing liabilities less cash and cash equivalents.

AUSTRALIA

Revenue: $108.2 million

up 15%

Operating profit
$15.5 million
down 20%

Key growth drivers:
OTC medicines across all seven therapeutic categories, with investment for growth diluting earnings.

NEW ZEALAND

Revenue: $48.7 million

up 11%

Operating profit
$7.3 million
down 10%

Key growth drivers:
Strong growth across all channels, with earnings diluted by investments for growth

ASIA

Revenue: $10.7 million

up 57%

Operating profit
$2.5 million
up 177%

Key drivers:
Growth in the hospital channel

INTERNATIONAL

Revenue: $27.8 million

up 138%

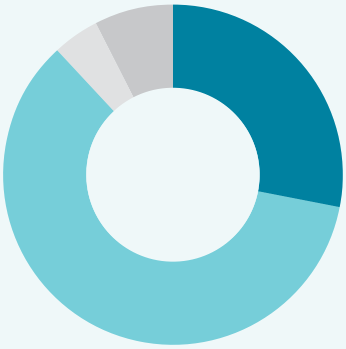
Operating profit
$8.5 million
up from $0.3 million

Key drivers:
Strong growth in Maxigesic sales and $8.5 million of licensing income.

A Growing Contribution From Our Global Operations

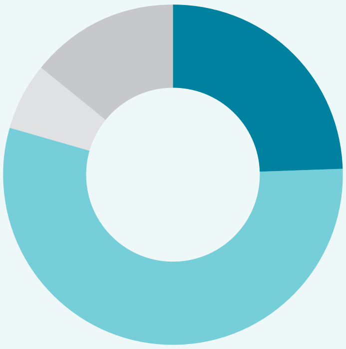
FY23 Revenue

New Zealand	28%
Australia	61%
Asia	4%
International	7%



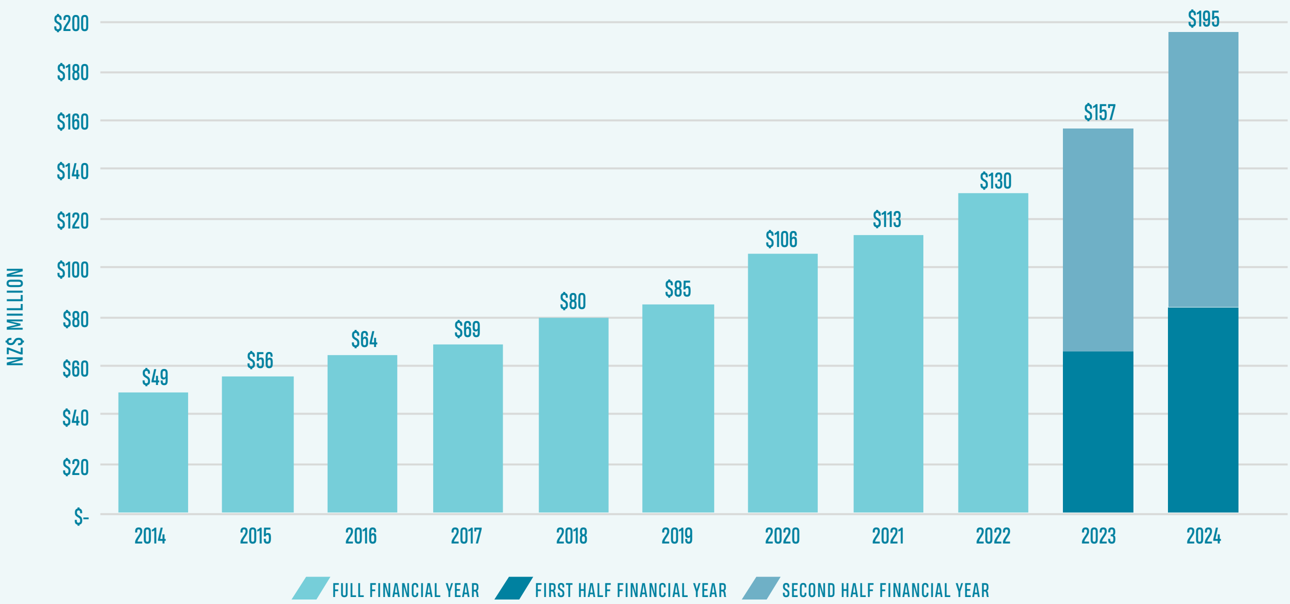
FY24 Revenue

New Zealand	25%
Australia	55%
Asia	6%
International	14%



Extending Our Record of Growth in Revenue and Earnings

AFT Pharmaceuticals Revenue



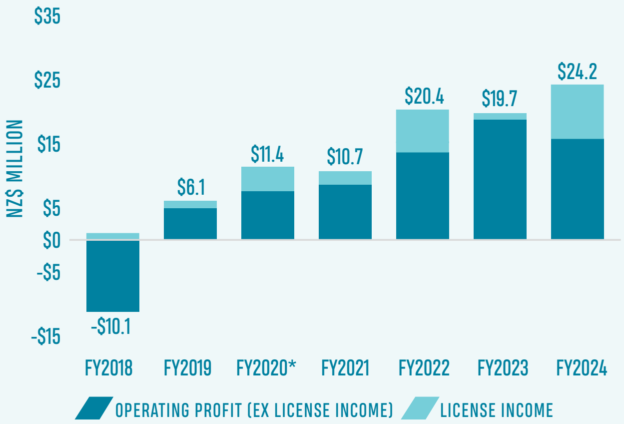
Record Profits and Strong Cashflows Investing For the Future

Dear Shareholders,

AFT Pharmaceuticals has delivered another stand out result for shareholders.

We have generated record profits for the March financial year on the back of strong topline growth across all territories, especially in our International and Asian businesses, extending the company's decades long record for consistent expansion.

AFT Operating Profit*



Moreover, we achieved this result while reducing debt and continuing to significantly invest for the future with the expansion of our product development portfolio, our presence in new markets such as the UK and North America and support for a strong programme of new product launches.

The result underscores the strengths of AFT's approach to international expansion and sustainable growth. We've benefited from growing demand for our products in both our home markets and further afield, reaping the rewards of careful and consistent investment into research and development and the product pipeline.

With the recent launch of the intravenous form of our Maxigesic® pain relief medicine in the US and the impending US launch of the line extension, the rapid dissolving tablet Maxigesic Rapid, our proprietary products are now positioned in a significant number of the world's major healthcare markets.

This achievement marks a significant milestone in our journey towards becoming a truly global pharmaceutical company and it is a major achievement for a New Zealand company.

* Operating Profit excluding non-recurring gain of $9.8m related to the valuation of the Pascomer intellectual property

We have meanwhile positioned the company to build on that record with investments for the future. These growth projects have included the establishment of new business hubs in the US, Canada, South Africa and further investment in the UK and Europe. We have extended our existing products to new territories, signed 122 new in-licensing agreements for markets around the world, and expanded our product development pipeline.

We continue to see considerable potential in all of the markets we operate, and we are pleased with the progress we have made capitalising on it.

Financial Results

Revenue from the sale of existing products, new products and product royalties grew by 20% to $186.9 million from $155.8 million, with the company's family of Maxigesic pain relief medicines and the Australian over the counter (OTC) business making the strongest contribution.

Growth has also been supported by ongoing investment in product marketing including the launch of the Maxigesic tablets and intravenous (marketed as Combogesic®) dose forms in the UK and our E-commerce platforms.

Total revenue, which included licensing income of $8.5 million, rose 25% to $195.4 million from $156.6 million in the prior year. The majority of the licensing income came from a milestone payment of circa $6 million from the US licensee Hikma Pharmaceuticals following the launch of Maxigesic IV in February.

Operating profit rose 23% to $24.2 million from $19.7 million in the prior year. The result was in line with guidance issued in February 2024, but lower than our initial guidance of $22 million to $24 million which excluded the Hikma license income, due principally to slower than expected Australian sales from newly launched products and our decision to accelerate our investment into important growth projects utilizing proceeds of the Maxigesic IV milestone payment.

Meanwhile, we saw what we believe is a short-term reduction of margins in Australasia due to some overstocking and subsequent price discounting of some key high margin lines, stronger sales of lower margin products plus some stock write offs including some one off's dating back to the pandemic.

EBITDA of $26.2 million was 22% higher than the $21.4 million in the prior period, while net profit after tax increased 46% to $15.6 million from $10.7 million.

"We've benefited from growing demand for our products in both our home markets and further afield, reaping the rewards of careful and consistent investment into research and development and the product pipeline."

Dr Hartley Atkinson *| Co-Founder and Managing Director* ***David Flacks*** *| Chairman*

International Expansion

AFT has significantly expanded its international operations with the establishment of business operations in the US, Canada, UK, Europe (through our subsidiary based in Ireland), Singapore and Hong Kong. Additionally, we are setting up a new subsidiary AFT Pharmaceuticals South Africa.

A number of product licenses have been acquired in the UK and European markets in order to accelerate future sales growth. For example, in Europe, AFT Pharmaceuticals Europe successfully bid for six product licenses from an insolvent company in Germany.

AFT is on track to offer the world's largest range of combination paracetamol and ibuprofen products globally. Maxigesic is now sold or ordered in 73 countries up from 61 in March 2023.

The launch of Maxigesic IV in the US, the world's largest market for pain relief medicines, was the most significant of the year. It delivered AFT and our development partner Hyloris Pharmaceuticals a US$6 million milestone payment that we share 65:35. The launch is also expected to deliver an ongoing and growing stream of payments from our profit share agreement.

AFT's entities are commercialising Maxigesic tablets in the US, Australasia, and the UK, along with Maxigesic IV in Canada, Australasia the UK, Hong Kong, Singapore and Malaysia.

We are meanwhile using our hubs in Canada, UK, Hong Kong, Singapore, Malaysia and Europe to beach head selected medicines we have in-licensed.

We are finalising our US strategy for Maxigesic Rapid with a focus on AFT Pharmaceuticals USA securing distributors for specific market channels. We are also advancing plans for launch of the recently approved, Maxigesic IV in Canada through the newly formed AFT Pharmaceuticals Canada.

We offer a total of ten different Maxigesic line extensions: Tablets, Oral Liquid, Rapid Dissolve Tablet, Day/Night Tablet, Oral Liquid, Hot Drink, Dry Stick, PE version, Cold/Flu & Sinus Pain Kit and Intravenous and these will be launched in target markets.

Finally, following regulatory approval for the sale of our Crystaderm antiseptic cream in China late last year, we are planning for the launch this year in the world's second largest pharmaceutical market.

Research And Development

Research and development expenditure in this financial year was steady at $12 million. In the short term we continue to work on launching our already available pipeline into more markets: additional Maxigesic line extensions such as the Maxigesic IV US launch; Crystaderm antiseptic cream; Kiwisoothe tablets and sachets; Micolette micro enema; ZoRub Osteo and HP analgesic creams. Commercialization of these products will help to drive short to medium term sales and offset ongoing expenditure. Extensive work on this latter group of products has been funded from existing cash-flows.

Our research and development pipeline now extends to seven projects. Four projects in the pipeline exited the development phase and moved to commercialisation and we added three new projects over the year. The new projects include treatments for Burning Mouth Syndrome and Vulva Lichen Sclerosis, in collaboration with our Maxigesic IV development partner Hyloris Pharmaceuticals.

Last month we also announced we had extended our collaboration with Massey Ventures and the Gillies McIndoe institute, adding the development of a treatment for Keloid scars to the existing strawberry birthmark medicine project. These additions bring our pre-commercialization R&D pipeline to a total of seven projects, some with multiple indications. This pipeline offers opportunities to significantly drive our global expansion as well as growth in our Australasian markets.

We continue to work to finalise one further agreement for a commercially significant late-stage R&D project which would require a large clinical study.

"The research and development pipeline offers opportunities to significantly drive our global expansion as well as growth in our Australasian markets."

Balance Sheet

AFT has significantly strengthened its balance sheet. Net debt at the end of the year was $16.2 million, markedly lower than the $30.6 million at the end of September 2023 and the $29.9 million at the same time a year ago, and ahead of target of our one-times EBITDA.

We continue to target inventory reductions over time which to date have been somewhat delayed by ongoing shipping disruptions, such as those in the Red Sea area. As highlighted above, we have also prioritised growth investments over debt reduction and we have additional unused debt facilities available.

Consequently, the Board has declared a full year dividend of 1.6 cents per share up 49% on the 1.1 cents per share of the prior year. The dividend has a record date of 26 June 2024 and a payment date of 4 July 2024.

Governance and Sustainability

We have continued to advance AFT's governance and sustainability framework. The most significant development this year has been the steps we have taken to measure our carbon emissions; understand our climate-related risks; and release our first disclosure against the Aotearoa New Zealand Climate Standards (see pages 35 and 36 and appendix 1 on pages 108 to 120 of this report).

This investigation has shown that, based on our first disclosure and current information that climate change does not represent a material risk to our business, and we are well prepared to refine and implement strategies to manage climate-related risks and opportunities. The process has seen refinements to our governance framework. Notably, it enhances oversight of sustainability, including climate-related risks and opportunities within the Board Charter and our reporting to stakeholders on sustainability matters.

In line with best governance practice this year we also reviewed our assessment of the material sustainability risks to the business and engaged with internal and external stakeholders to review our approach. This review (see pages 22 and 23) showed the framework remained broadly appropriate.

Finally as we highlighted at the half year, Andrew Lane joined the Board as a new Independent Director, bringing to the company more than 30 years' experience of leadership in the global pharmaceuticals industry with expertise across a broad range of disciplines. Andrew replaced long-serving Independent Director Jon Lamb who retired after 11 years as a Director. Once again, we thank Jon for his long and valuable service to the company.

Outlook

AFT is expecting growth for the coming financial year to continue and is targeting operating profit – excluding any license payments – to range between $22 million to $25 million driven by better quality earnings from trading.

The ongoing roll out of Maxigesic and its line extensions, the planned launch of 61 new products over the next 24 months in Australasia, coupled with numerous new launches and increasing rates of growth in other markets around the world, position the company well for this coming financial year and beyond.

Our goal of $200 million in annual revenue on a moving annual total is now close and we are now focusing on the next target of $300 million annual revenue with margins trending back to historical averages. We thank shareholders for their ongoing support, and we look forward to providing an update to you at our annual meeting in August.

David Flacks
Chair

Dr Hartley Atkinson
Managing Director

Australia

NEW PRODUCT LAUNCHES FUELLING GROWTH

Revenue in Australia grew 15% led by a mixture of organic and new product growth to $108.2 million from $94.1 million in the prior year.

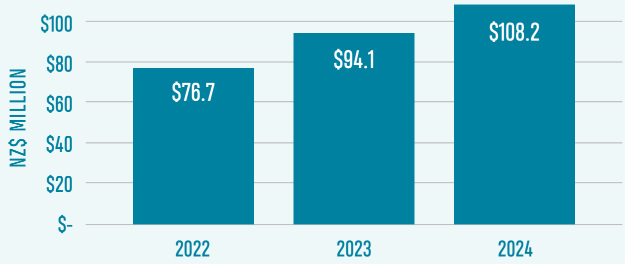
Growth came from the OTC channel which was up 24% with the company seeing good demand across all its seven therapeutic categories, despite the easing of pandemic pressures and public concern about the virus saw an associated reduction in demand for pain and cold and flu medicines and supplements such as liposomal vitamins. AFT reached the position of the top selling liposomal vitamins in the Australian market. The hospital channel and prescription channels were flat.

Australian operating profit was down to $15.5 million from $19.3 million in the prior year. The result in part reflects the increased marketing spend associated with product launches through the year. As highlighted earlier, margins were impacted by some price discounting in some key high margin lines, growth in lower margin lines and some stock write offs.

We expect continued growth in the coming year both through organic growth in our existing product lines and an increased contribution from products launched during the year.

During the year we launched 18 products and are on track to launch a further 61 by the end of the 2026 financial year.

Australian Revenue



Revenue: $108.2m up 15% on the prior year

Products: 85+ across seven therapeutic categories

Distribution: 6,800 pharmacies

New Zealand

GROWTH ACROSS ALL CHANNELS

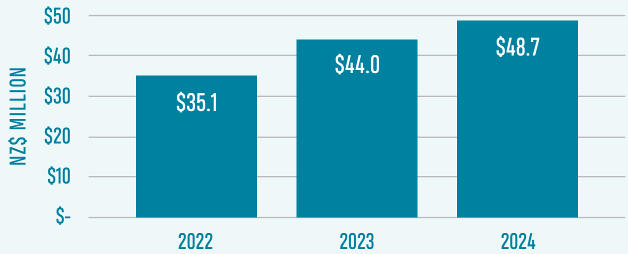
New Zealand revenue was up 11% to $48.7 million from $44.0 million. Growth was driven by the OTC channel, where revenue grew by 16% to $26.8 million. The prescription and hospital channels grew by 3% and 7% respectively.

In all three channels growth was led by demand for the company's existing and new products albeit with a similar post pandemic reduction in sales of cold & flu products and liposomal vitamins which was also observed in Australia.

Operating profit was $7.3 million compared to $8.1 million in the prior year. In part, as with Australia this reflects the increased marketing spend associated with product launches. A key marketing initiative was our decision to sponsor the One New Zealand Warriors as the team's official pain relief partner. In addition margins eased largely reflecting a bigger contribution from the lower-margin products and some stock write offs.

New product launches will also support growth in this market.

New Zealand Revenue



Revenue: $48.7m up 11% on the prior year

Products: 150+ across seven therapeutic categories

Distribution: 900 pharmacies

Absorbing the Hits

Maxigesic is now the official pain relief partner of the One New Zealand Warriors - an agreement that will lift the profile of our brand on both sides of the Tasman.

Maxigesic will feature on the front of the playing shorts for all five of the club's teams this season in the NRL, New South Wales Cup, Jersey Flegg Cup (under-21), SG Ball Cup (under-19) and Harold Matthews Cup (under-17).

Maxigesic will also be the presenting partner for a 'Big Hit of the Week' video feature as well as the weekly injury report. By bringing Maxigesic and the One New Zealand Warriors together, we're doing all we can to help the Kiwis fly, both at home and away, in the 2024 season.

Asia

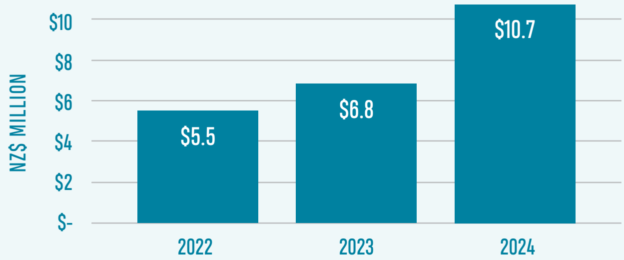
LAUNCHING IN CHINA'S DOMESTIC MARKET

Our Asian business' operating revenue grew 57% to $10.7 million from $6.8 million. Operating profit rose to $2.5 million from $0.9 million.

Growth was driven by the hospital channel with the largest contribution coming from strong demand for Maxigesic IV in the Korean market and the OTC channel along with our successful cross border e-commerce initiatives.

Following regulatory approval late last year, for the sale of our Crystaderm antiseptic cream in China, we are preparing for the launch this year which has also featured the addition of two new manufacturing sites to allow for potential product demand. We believe the local sales channels in China offer more potential than the CBEC channel.

Asian Revenue



Revenue:
$10.7m
up 57% on the prior year

Sales hubs:
Singapore and Hong Kong

International

BUILDING OUR PRESENCE IN THE NORTHERN HEMISPHERE

Revenue from product sales and royalties in the international business grew by 78% to $19.3 million from $10.7 million, primarily due to growing momentum in Maxigesic sales (in various dose forms).

Total international operating revenue rose 138% to $27.8 million from $11.5 million as we benefited from $8.5 million of licensing income including the $6 million milestone payment from the launch of Maxigesic IV in the US and a milestone payment from our licensee in Italy, the market outside Australasia in which Maxigesic has been available for the longest period of time.

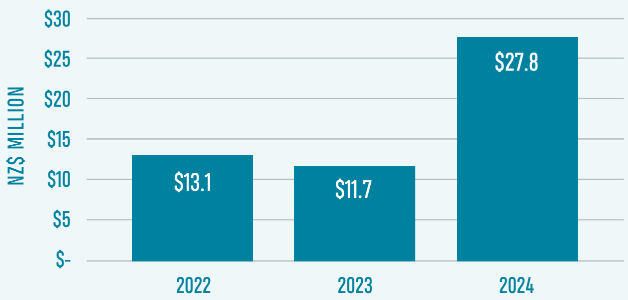
Operating profit, including licensing income, grew from $0.3 million to a profit of $8.5 million. AFT also significantly invested in the launches of Maxigesic tablets and IV in the UK market and further multiple investments in the new business hubs.

Maxigesic in various dose forms is now sold in 73 countries up from 61 at the same time a year ago. In addition to the launch of Maxigesic IV in the US, we launched IV and tablets in Belgium, numerous eastern European countries, Kenya, Oman, Singapore and South Africa. Sales of Maxigesic IV in the US since it was launched in February have developed in line with expectations, but the key is gaining hospital formulary listings which always takes some time. We are finalising our US strategy for Maxigesic Rapid with a focus on securing and finalising agreements with distributors for specific market channels and are advancing plans for launch of the recently approved, Maxigesic IV in Canada through the newly formed AFT Pharmaceuticals Canada.

Our new UK operation is now well established with the launch of Combogesic tablets and IV making a meaningful contribution to group sales. The UK business has identified a total of 40 of our own and licensed products as suitable candidates for that market. Changes in the UK market will also assist speed to regulatory approval.

We have also acquired a number of licenses for the UK market which will shorten the regulatory approval timeline and resultant launch timings. Additionally, products are being in-licensed for Canada and South Africa.

International Revenue



Revenue:
$27.8m
up 138% on the prior year

Operating profit:
$8.5m

Countries where Maxigesic sold:
73

AFT Pharmaceuticals UK launching Combogesic IV

Laying The Foundations For The Future

Our research and development portfolio is the growth engine of AFT's future.

It now extends to seven projects across therapeutic areas that range from pain and eyecare through to dermatology as well as a drug delivery device. The three new projects we have announced this year build on existing and successful development partnerships.

EXTENDING OUR PARTNERSHIP WITH HYLORIS

With our Maxigesic IV development partner Hyloris Phamaceuticals we have agreed to develop treatments for Burning Mouth Syndrome and Vulva Lichen Sclerosus (VLS). The agreements seek to combine Hyloris's strong internal R&D capabilities and AFT's clinical trial management capabilities.

VLS is a chronic, distressing, inflammatory disease that has limited approved current treatments and yet has an enormous impact on quality of life. With Hyloris we are developing a medicine as a user-friendly product for patients experiencing the discomfort, itching, and pain associated with the ailment. It also targets an extended duration of action and a convenient application method that ensures simplicity and compliance in patients with the disease.

Burning mouth syndrome (BMS) is characterized by burning pain in a normal-appearing oral mucosa lasting at least four to six months. AFT and Hyloris will co-invest for the development of the medicine for the purpose of registration, approval, and commercialisation.

Hyloris is a Belgian specialty biopharma company focused on innovating, reinventing, and optimizing existing medications to address important healthcare needs and deliver relevant improvements for patients, healthcare professionals and payors.

LOCAL PARTNERSHIPS

Massey Ventures, the commercialization company of Massey University, and the Gillies McIndoe Research Institute, a New Zealand charitable research foundation and AFT are extending their partnership to develop a topical treatment for keloid and hypertrophic scarring. The new project builds on the success of our partnership to develop a topical treatment for strawberry birthmarks.

Keloids are thickened scars that extend the boundaries of an injury and can often be itchy and painful. The scars can arise from any type of injury – from a shaving cut or piercing to a severe burn – and often become disfiguring. The cause of keloids is not fully understood and there are no truly effective treatment options available to patients.

AFT, Massey, and the Gillies McIndoe Institute will focus on the development of currently confidential medicines to create the first effective topical treatment of keloids and other scars. A non-invasive topical medicine would be a valuable treatment option for this condition. It also offers an attractive global commercial opportunity.

The strawberry birthmark project continues to make progress. We are seeking to exploit the synergistic action of two well-known medicines in the treatment of the birthmarks. We are aiming to submit an Investigational New Drug (IND) application to the United States Food and Drug Administration this calendar year.

The Gilles McIndoe Institute.

Additionally, we have completed diligence and are negotiating a further collaboration for a potentially significant late-stage R&D project. This project if concluded will require a clinical study with a significant number of patients around the world.

A Strong Research and Development Pipeline

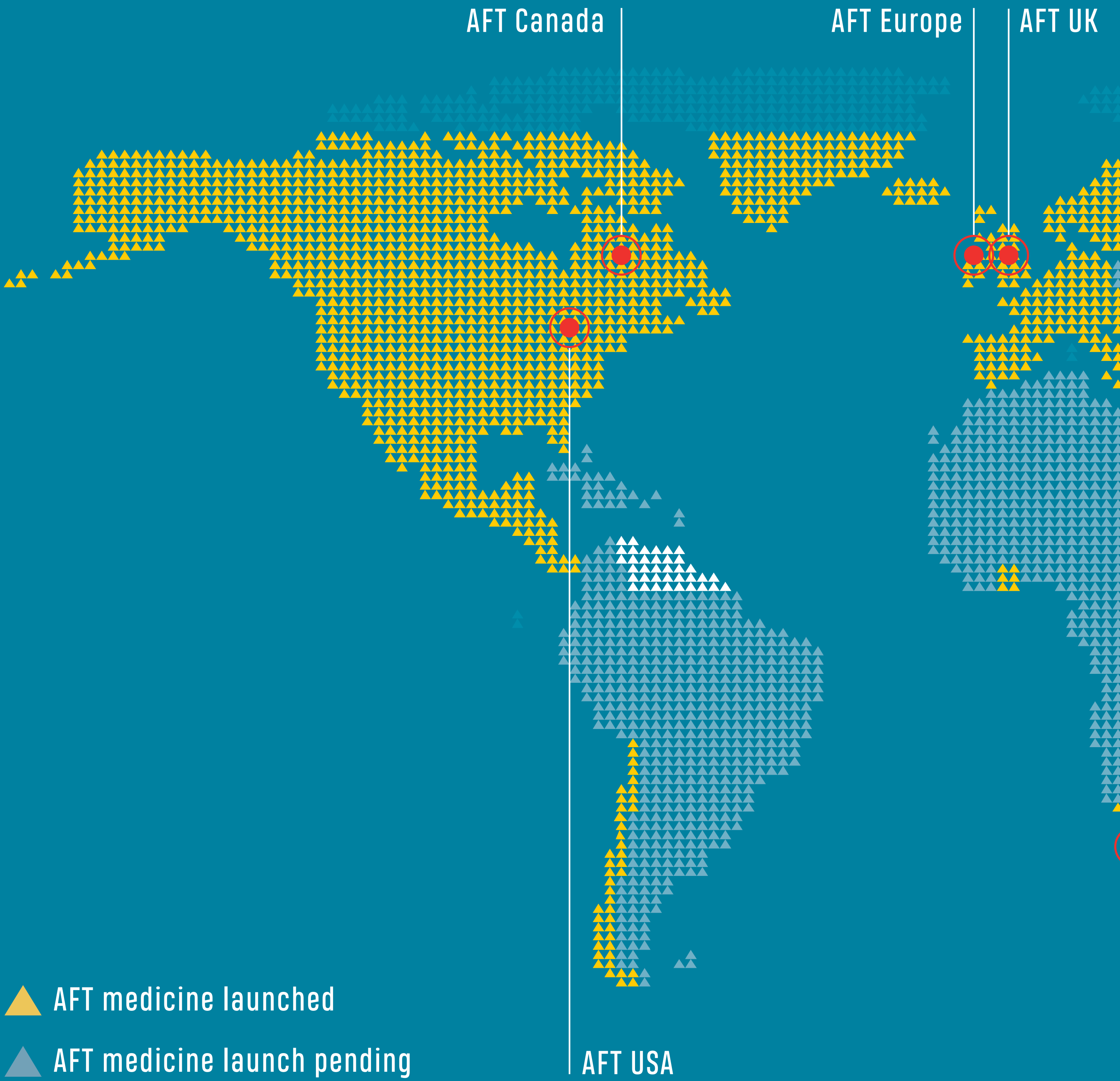
AFT's positive cashflows have positioned the company well to undertake and secure research and development projects either alone or in partnership with others.

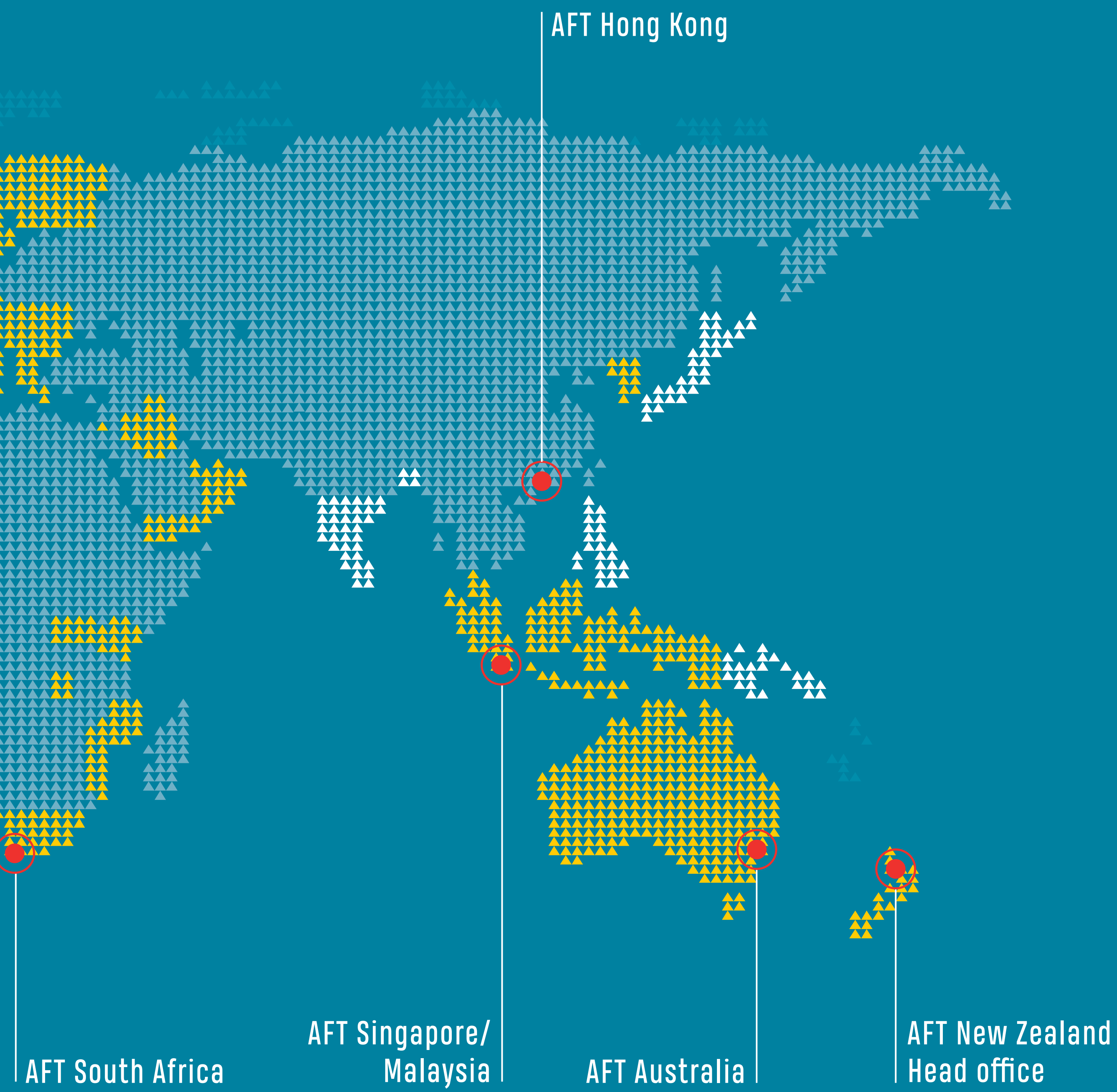
PROJECT	PATENT	PARTNERSHIP AND APPLICATION
DERMATOLOGY		
Pascomer	2040/2044[1]	Facial angiofibromas / Port Wine Stains
Strawberry Birthmarks	2041	Gillies McIndoe and Massey Ventures
Keloid Scars topical treatment	2044[1]	Gillies McIndoe and Massey Ventures
Vulvar Lichen Sclerosis	TBC	Hyloris Pharmaceuticals
EYECARE		
Antibiotic Eye Drop	2037 and 2044[1]	For drug resistant infections: Conjunctivitis, Keratitis, Post Kpro prophylaxis
PAIN		
Burning Mouth Syndrome	TBC	Hyloris Pharmaceuticals
DRUG DELIVERY		
NasoSURF for conscious sedation	2036	
OTHER		
Novel new medicine (confidential)	2037	Late-stage development under negotiation

1 Patent pending

AFT's Global Reach

Our medicines are now available in more than 70 countries around the world




AFT Hong Kong
AFT South Africa
AFT Singapore/
Malaysia
AFT Australia
AFT New Zealand
Head office

SUSTAINABILITY

Working to Improve Your Health

AFT Pharmaceuticals has delivered a decades-long record of sales growth built on integrity and a clear purpose of working to improve the health of our customers and the communities we serve.

It is a mission that has at its heart a commitment to sustainability, the maintenance of corporate governance practices that are aligned with best practice and high ethical standards, and a determination to contribute positively to environmental and social outcomes.

We understand accounting for and managing ESG considerations is critical to our long-term ability to create value and improve the health of the customers and communities we serve.

We established a formal sustainability framework in 2022 following the completion of an analysis of the material issues to the business. Since then we have evolved the framework to ensure we work towards the opportunities it identifies, manage the risks to our business, and ensure we are creating shared value with our stakeholders. We have revised our materiality assessment in FY24 (see pages 22 and 23), and made subsequent refinements to our focus areas, measures, and reporting.

The most significant development of our framework this year has been the steps we have taken to measure our carbon emissions; understand our climate-related risks; and release our first disclosure against the Aotearoa New Zealand Climate Standards.

This process has also seen refinements to our governance framework. Notably, it enhances oversight of sustainability, including climate-related risks and opportunities within the Board Charter and our reporting to stakeholders on sustainability matters.

It has also seen the formation of a standing management-led working group, the Climate Governance Working Group, which is charged with assessing and managing the company's climate-related risks and opportunities and updating the Board quarterly on its activities. An overview of our climate reporting is covered on pages 35 and 36 of this report and the full report against the Aotearoa New Zealand Climate Standards is covered on pages 108 to 120.

Finally, we have reformatted this sustainability report to prioritise disclosure of those areas that matter most to the company and its stakeholders. This has also included, for the first time, the embedding of our governance statement within this report and the creation of a separate remuneration section. The goal of the remuneration section is to show how we align the remuneration of our people with the interests of our stakeholders.

As we have indicated in prior reports, we see this programme as a journey rather than a destination that will continue into new financial years.

AFT's Sustainability Framework

Our Mission: Working to Improve Your Health

AFT's sustainability framework is aligned with its commitment to operating sustainably and enhancing the health and wellbeing of the people and communities in the markets we serve.

It sets out our material ESG issues and identifies what we see are the six priorities for the business. The priority areas demonstrate where we believe we can create the most value for our business, investors, and other stakeholders.

Underneath each of the six priorities, we have identified areas of focus, which set out what we will do to deliver on our priorities.

We have detailed the metrics we use to measure our performance.

In some of these areas, we have established targets. We expect to evolve and refine these measures and targets in line with the evolution of our ESG framework.

The development of the framework and our performance against it is led by the CFO and overseen by the Board. As in previous years, we aim to fit our business and community initiatives onto the United Nations' Sustainable Development Goals.

	SOCIAL	GOVERNANCE	GOVERNANCE
PRIORITIES	1. Working to improve health and well being 3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH	2. Best practice corporate governance 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	3. Ethical and sustainable value chains 8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
AREAS OF FOCUS	**Better health and wellbeing for patients and communities** Performance measures: • Product reach and breadth of therapeutic applications • Product portfolio expansion • Contributions to communities **Best quality and safety systems for manufacturing and distributing medicines** Performance measures: • Compliance with best practice standards in medicine manufacture • Our pharmacovigilance practices and relationships with our regulators • Monitoring for counterfeit medicines • Product recalls **Innovation in response to need** Performance measures: • Investment in research and development • Product development portfolio • Compliance with clinical trial standards	**Complying with all relevant legal and listing requirements** Performance measures: • Regulatory and Governance Code compliance • Training and education **ESG reporting and transparency** Performance measures: • Policy adherence by the Board and Management • Governance of climate risk	**ESG performance in our value chain** Performance measures: • Compliance with our Supplier Code of Conduct and our Modern Slavery commitments • Supplier visits **Ethical marketing and sales practices** Performance measures: • Compliance with our Code of Culture and Ethics and our Anti-bribery and Corruption Policy • Compliance with regulatory advertising codes.

UN Sustainable Development Goals

The UN sustainable development goals are a collection of 17 interlinked global goals designed to be a blueprint to achieve a better and more sustainable future for all. The United Nations General Assembly established these goals in 2015. At AFT we believe we can contribute to six of the goals.

More information on the goals can be found here: https://sdgs.un.org/goals

Changes to the Framework in FY24

After completing the materiality assessment review in FY24 (see pages 22 and 23) and a review of our framework, we have updated it to include reporting on:

- Clinical Trial standards
- Aotearoa New Zealand Climate Standards
- Compliance with sales and marketing codes

	SOCIAL	ENVIRONMENT	ENVIRONMENT
PRIORITIES	4. Supporting and developing our people	5. Understanding our climate risks and taking action	6. Waste minimisation
	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
AREAS OF FOCUS	**Developing our people** Performance measures: • Training • Staff turnover • Wellbeing support **Diversity and inclusion** Performance measures: • Compliance with our Code of Culture and Ethics • Compliance with our Employment Policy suite • Remunerating fairly and transparently • Monitoring gender, culture identity, nationality to ensure diversity. • Living wage, parental leave, and pay parity commitments **Health and safety** Performance measures: • Health and Safety Policy compliance • Supplier Code of Conduct compliance • Lost time to injury reporting	**Undertaking a climate risk assessment** Performance measures: • Reporting against the Aotearoa New Zealand Climate Standards **Working with suppliers to take action** Performance measures: • Reporting against the Aotearoa New Zealand Climate Standards	**Improving our consumer packaging** Performance measures: • Continuous improvements in reducing packaging weight • Introducing recycled material into our packaging • Making more of our packaging recoverable **Reducing waste in the supply chain** Performance measures: • Reducing packaging consumption • Reducing material towards landfill

3 GOOD HEALTH AND WELL-BEING

Good Health and Wellbeing
Ensure healthy lives and promote well-being for all at all ages.

5 GENDER EQUALITY

Gender Equality
Achieve gender equality and empower all women and girls.

8 DECENT WORK AND ECONOMIC GROWTH

Decent Work and Economic Growth
Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

10 REDUCED INEQUALITIES

Reduced Inequalities
Reduce inequality within and among countries.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible Production and Consumption
Ensure sustainable consumption and production patterns.

13 CLIMATE ACTION

Climate Action
Take urgent action to combat climate change and its impacts.

Materiality: How We Set Our Priorities

AFT has built its Sustainability Framework and ESG reporting programme on a robust process of assessing what is material to the company.

As a publicly listed company, 'material' matters are those that a reasonable person would consider impacting the company's valuation or the sustainability of our operations. In line with best practice ESG standards, we also considered those topics that reflect AFT's most significant contribution to, and impacts on, the economy, environment, and people.

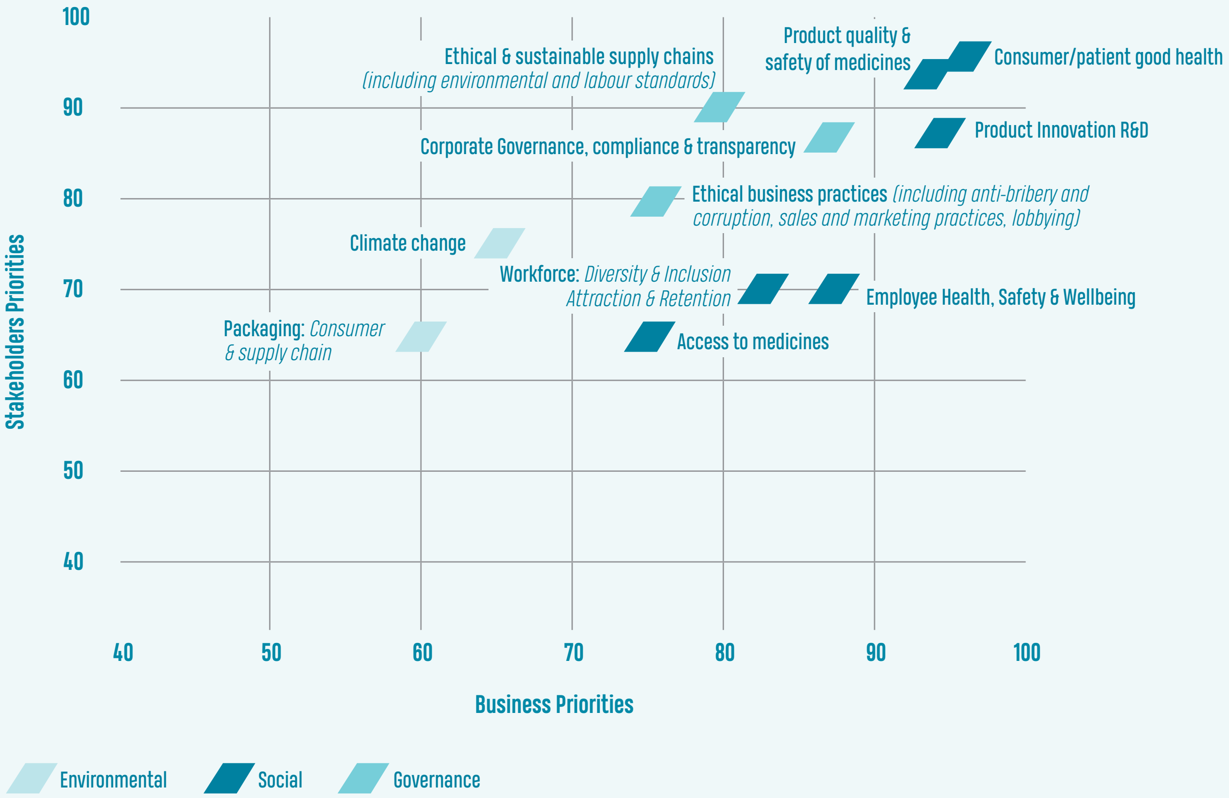
To develop and review our materiality assessment, we use the support of an independent consultancy. We reviewed materiality topics in the global and pharmaceutical industry against our business operations.

We also reviewed media, stakeholder, and investor commentary on AFT business. This enabled the creation of a list of potential material topics. From there, we interviewed external stakeholders and investors on their perceptions of materiality and the relative significance of these topics.

Management then reviewed this feedback; the topics; and their relative importance to business strategy and value creation. The assessment was then presented to the Board for input and approval. AFT used the NZX ESG Guidance Note to inform this approach.

AFT first reported on materiality in its FY22 Annual Report. This materiality assessment was reviewed internally in FY23, and in FY24, we reviewed it internally and externally.

ESG Matters Material to AFT's Business



FY24 Materiality Assessment

As a pharmaceutical business, social materiality topics remain the most significant to AFT's ability to create value for shareholders and the communities we serve.

Since FY23, we have made the following changes:

- We have raised the stakeholder significance of Climate Change, given that the New Zealand Aotearoa Climate Standards are now in force. As such, there will be more external interest in AFT's climate change reporting than previously.
- Corporate governance has been further elevated in significance, reflecting this topic's importance to the business and investors.
- In addition, we have reviewed the definitions of the material topics. The updated definitions are provided in Appendix 2 on page 121 and 122 of this report and on the company's website.

External stakeholders raised additional topics with us for consideration, which are either covered by existing topic definitions or are being monitored for future significance to the business.

Stakeholder topic interest	Our response
New pharmaceutical technologies; providing alternatives to opioids and water use.	These are covered in existing material topics (see appendix 2 on pages 121 and 122 for definitions)
Antimicrobial resistance; misinformation about pharmaceutical products; and biodiversity.	These are monitored by the company

Our Stakeholders

AFT considers the interests of a broad range of stakeholders. We recognise that this is pivotal to operating a sustainable business and creating long-term value.

Patients & Customers
They are the focus of the company's efforts: to improve healthcare outcomes.

Employees
AFT is its people; their well-being is fundamental to successful execution of our strategy.

Investors & Lenders
Investors and lenders support our business financially.

Healthcare Providers
They are crucial in spreading sustainable healthcare practices that align with the company's health improvement goals.

Regulators
We work with them to ensure compliance with health, safety, and other sustainability standards and support our work to provide health solutions.

Suppliers, Distributors & Vendors
They produce our products, take them to market and help us to operate our business. We work with them to ensure ethical sourcing and environmental stewardship.

Local Communities
Engagement with communities helps to align company operations with local health needs, enhancing our social license.

Government Agencies
We work with them to support public health policy initiatives.

Media
It plays a role in communicating the company's health initiatives to the public.

PRIORITY 1:

Working to Improve Health and Wellbeing

FOCUS AREA:

Better Health and Wellbeing for Patients and Communities

Improving the health of our customers is the reason we exist, we work to research, develop, commercialise, and distribute medicines and other healthcare products that deliver healthcare improvements.

Performance:

- We expanded our portfolio of medicines.
- We are targeting the launch of 61 new products FY25-FY26
- We contributed to causes and people that promote the health and wellbeing in the communities in which we operate.

Extending our Reach With New and Innovative Medicines

Our portfolio of 150 plus medicines spans our seven core therapeutic categories of pain, eyecare, vitamins, allergy, gastrointestinal medications, dermatology, and hospital products.

The portfolio is also continuing to expand with the launch of 18 new products in FY24 and a further 61 products planned by the end of FY26.
Our products have been sold in 73 countries, up from 61 at the same time a year ago and we have licensees for our products in more than 100 countries worldwide.

Access to Medicines

We recognise access to medicines is an important issue. We work hard to ensure a continuous and uninterrupted supply of our critical products to our customers and markets by holding significant stock holdings as opposed to a just-in-time delivery schedule.

CASE STUDY:

Prudent Pseudoephedrine Distribution

AFT is in the process of deploying a pioneering technology designed to combat the illegal use of medicines containing pseudoephedrine in the production of methamphetamine.

The cutting-edge matrix technology, which AFT has licensed for use in Australia and New Zealand significantly reduces the amount of pseudoephedrine that can be extracted from medicines containing the decongestant.

This technology further demonstrates our commitment to ensure the safety of medicinal products and to address public health and safety concerns related to medicines.

The technology is currently used by two AFT products to be soon launched in Australia - Ibuprofen 200mg + Pseudoephedrine 30mg and Paracetamol 500mg + Pseudoephedrine 30mg soft gel capsules – both recommended to help ease the pain and congestion associated with colds and flus. We are also seeking approval to sell the medicines in New Zealand.

Research shows that as little of 8.3% of the pseudoephedrine contained in medicines using the matrix technology can be extracted. This is a sharp reduction on the 78% of pseudoephedrine that can be extracted from standard tablet forms containing the decongestant.

These medicines have already attracted significant interest from pharmacists in Australia who see the technology as a deterrent against raids and the illegal use of medicines containing the decongestant.

Indeed, in recent submissions to the Misuse of Drugs (Pseudoephedrine) Amendment Bill, which will see the return of pseudoephedrine containing medicines return to New Zealand OTC markets, the Pharmaceutical Society of New Zealand noted the concern among the profession about the potential of stocking these medicines to raise the threat to pharmacies.

Using Promotion for Good

AFT regularly leverages its promotional budget to deliver profile and goodwill to deserving charities. Last year in New Zealand we worked with one of our largest customers, Chemist Warehouse, to raise $500,000 for charities sponsored by New Zealand Super Rugby Franchises. We contributed 5% of the sale proceeds of Maxigesic tablets sold through Chemist Warehouse over the promotional period ($15,000). These funds were then distributed among the charities:

The Blues Charitable Trust, which provides leadership coaching to build confidence and courage in youths to reach their full potential.

LifeFlight, which supports an emergency air ambulance service, run out of Wellington.

Gumboot Friday, which funds free counselling sessions for the young people of Aotearoa.

I Am Hope, which supports the youth struggling with depression with coaching and guidelines to learn life skills.

Southern Charity hospital trust provides free healthcare services to those in Southern NZ who do not have access through traditional channels.

This philanthropic works follows on work in the prior year to support causes as diverse as the Liptember Foundation, which raises funds and awareness for women's mental health, the Gotcha 4 Life foundation, which aims to reduce the rate of suicide in men across Australia.

AFT supported the August 2023 **Wesleyan Medicine Mission** to Bougainville led by Dr. Amanda Mitchell and Michelle Yates, alongside the Wesleyan Methodist Church of Bougainville. We provided packs of scabies lotion and vitamins, which were crucial in addressing the urgent health needs of up to 60,000 displaced individuals due to the volcanic eruption of Mount Bagana in July 2023 and flooding during the same period. We also sponsored the excess baggage needed to transport these vital resources. The partnership reflected our determination to support community-led health initiatives.

Wesleyan Medicine Mission to Bougainville

FOCUS AREA:

Innovation in Response to Need

Performance:

- Research and Development expenditure was steady at $12 million.
- Our product development portfolio increased to nine key research and development programs with the addition of 4 new projects over the last year.
- All clinical trials are conducted within international codes and standards.

We work to create innovative medical solutions in areas of high unmet need, creating future value for the business. We achieve this by leveraging our global partnerships and by developing our own intellectual property.

In the past year alone, we spent $12 million on research and development, a figure that is in line with the spending in the prior year. These resources have been devoted to advancing our research and development portfolio towards commercialisation.

Meeting International Clinical Trial Standards

AFT is committed to ensuring all its clinical trials are conducted in a manner that not only respects the participants but also produces reliable, meaningful, and internationally accepted data, thereby contributing to the advancement of medical knowledge and the development of new treatments.

All our trials are conducted within the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) guidelines and specifically the ICH E6 and E8 standards.

These standards cover the ethical and scientific quality of designing, conducting, recording, and reporting trials that involve human subjects. They also provide for a unified standard to facilitate the mutual acceptance of clinical data by regulatory authorities in the core ICH regions, which include the European Union, Japan, and the United States, and are recognized globally by many countries including New Zealand, Australia, and many countries in Asia.

In these countries these standards are overseen and administered by independent regional oversight bodies such as the US Food and Drug Administration. Meanwhile, wherever we conduct clinical research, it is always overseen by ethical research oversight bodies.

ICH

ICH E6: Good Clinical Practice (GCP)

The ICH E6 guideline provides a unified standard to facilitate the mutual acceptance of clinical data by regulatory authorities in the ICH regions, which include the European Union, Japan, and the United States.

ICH E8: General Considerations for Clinical Trials

The ICH E8 guideline provides general considerations for the conduct of clinical trials, emphasising the importance of scientific quality in the design, conduct, recording, and reporting of clinical trials. It aims to ensure that clinical trials are ethically justifiable and scientifically sound.

FOCUS AREA:

Best Practice Quality and Safety Systems for Manufacturing and Distributing Medicines

Performance:

- No products were sold into markets without meeting regulatory requirements.
- No notifications of concern in relation to counterfeit medicines.
- No product recalls.
- External regulators routinely conduct Good Manufacturing Practice site inspections on our pharmaceutical manufacturing sites. None of the inspections have revealed any matters of concern for medicines that we are selling.

Delivering Safe and Quality Medicines

Medicine safety and quality are at the foundations of our business, our financial well-being, and our corporate reputation.

We also understand that the multiple national regulators that approve our products for sale, as well as our customers and sales and distribution partners, will accept nothing less.

Whenever we take a new medicine to market or in-license a product we must meet the stringent regulatory requirements set and administered by national food and medicine regulators. Registration of a medicine requires independent analysis and approval of the therapeutic claims we make by relevant regulators and the evidence and research we have undertaken to make those claims.

Registration also requires AFT to file and update safety information with regulators and maintain product traceability information. It also requires compliance with Good Manufacturing Practice (GMP) to ensure our products are consistently produced, controlled, and shipped according to nationally mandated quality standards.

We are dedicated to managing and complying with regulatory process and overseeing our research and development processes.

We and our licensees monitor the markets in which we operate for counterfeits or copies of our medicines. Meanwhile, anti-tamper devices in our packaging such as seals, and blister packs protect us against product interference, and we continually review new technologies and practices to ensure we evolve with the industry.

We operate a Board-level committee, the Regulatory and Product Development Oversight Committee, which oversees our regulatory and product risk management framework. The committee charter is available on the investor section of our website.

We have over the last year maintained our strong record for product safety and quality. No products have been sold into the market without meeting regulatory requirements, we have received no notifications of concern in relation to counterfeits, nor have we issued any product recalls.

Good Manufacturing Practice Regulators Enforcing Manufacturing Standards

Good Manufacturing Practices (GMP), is a baseline requirement we and international regulators, impose on all suppliers of medicines. It plays a crucial role in ensuring the quality of pharmaceutical products, focusing on minimising risks inherent in pharmaceutical production that cannot be eliminated through testing the final product.

GMP practices are primarily specified by the International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH) (see page 11). They cover all aspects of production, from the raw materials, facilities, and equipment to the training and personal hygiene of staff.

While GMP does not specifically target environmental matters, it can also indirectly contribute to environmental safety through the efficient use of resources and the reduction of waste production, as the practices encourage the efficient and responsible use of raw materials and energy.

GMP standards are enforced by national regulatory food and drug regulators. These agencies conduct regular inspections and audits of pharmaceutical manufacturing facilities to ensure compliance, and where breaches of process are found, they have a range of enforcement actions at their disposal that range from fines to mandating a cessation of production.

PRIORITY 2:

Best Practice Corporate Governance

The Board and Management of AFT are committed to ensuring that the company maintains corporate governance practices in line with best practice and adheres to the highest ethical standards.

FOCUS AREA:

Complying With all Relevant Legal and Listing Requirements

FOCUS AREA:

ESG Reporting and Transparency

Performance:

- We have reviewed all key governance policies and received management confirmation of compliance.
- No issues of concern or policy breaches have been notified to the Board in relation to our Code of Culture and Ethics, Modern Slavery, Securities Trading, Conflicts of Interest, Whistleblowing and Market Disclosure Policies.
- We have complied with the new Aotearoa New Zealand Climate Standards.

The AFT Board has this year continued to evolve AFT's corporate governance framework to ensure it is aligned with advances in global and regional expectations and regulations.

Key developments in our governance framework over the last year have included the further evolution of our sustainability framework. This has seen:

- The integration of the oversight and management of climate-related risks and opportunities into Board and company policy and procedures. This has included:
  - The formation of a standing management-led committee the 'Climate Governance Working Group' that assesses and manages climate related risks and opportunities and reports to the Board on these matters quarterly;
  - The completion of AFT's first Climate Change Related Disclosure Report in compliance with the new Aotearoa New Zealand Climate Standards. A summary of the disclosure is included in this section and the detailed disclosure are in appendix 1 on pages 108 to 120 of this report.
- A review of the analysis of material ESG matters to the business and further refinement of the measures we use to assess our performance on key issues (see pages 22 and 23 of this report)
- The incorporation of new NZX guidelines for the disclosure of remuneration practices (see pages 62 to 67 of this report)

Details on these initiatives are also covered in the company's corporate governance statement on pages 46 to 61 of this report.

AFT's governance charters and policies can be found in the Investor Centre on the Company's website.

PRIORITY 3:

Ethical and Sustainable Value Chains

AFT is committed to operating an ethical and sustainable supply chain. Our supply chains are extensive and sometimes complex, with a high proportion of products sourced from large and reputable pharmaceutical companies and manufacturers based in regions including Europe, North America, India, and Asia. Due to the extent of these networks, it is critical to provide appropriate governance and oversight of them.

FOCUS AREA:

ESG Performance of Our Value Chain

Performance:

- Our key product suppliers have confirmed their compliance with our Supplier Code of Conduct and our Modern Slavery Policy.
- The visits we have made to suppliers during the year have not revealed any instances of concern related to ESG performance in our value chain.

AFT has put in place a broad range of measures related to our commitments to ethical and sustainable value chains. At the heart of these measures is a comprehensive system of monitoring and control across AFT, the companies that it controls and its supply chain.

Specifically, the Board Charter requires the Board to review and ratify group systems of internal compliance and control to determine the effectiveness of those systems. The Board also operates an Audit and Risk Committee (ARC) to assist with its responsibilities and commitments.

The ARC, among other things, is charged with assisting the board in overseeing management's implementation of the Company's risk management framework and that management has appropriate processes for identifying, responding to, and regularly reporting on risks (including Modern Slavery and climate-related risks) and that those processes are operating effectively.

We also have a range of internal policies and codes that set standards for Directors, employees, consultants, contractors, interns, and secondees of AFT Pharmaceuticals and our related companies that are focused on the management of these risks. They notably include:

- A Code of Culture and Ethics.
- A Modern Slavery Policy to address potential Modern Slavery risks in our business and in our supply chain.
- An Anti-Bribery and Anti-Corruption policy.
- A Whistle Blowing Policy.

We operate a Supplier Code of Conduct that among other things, requires attestation to our Modern Slavery Policy (see above), compliance with applicable, national, and international laws and international labour standards, and strong environmental practices. It also requires suppliers to observe and model ethical business practices; and establish and follow effective policies and procedures to promote workplace health and safety.

Our key suppliers have attested compliance with our Supplier Code of Conduct and Modern Slavery policy.

In addition, ahead of engaging new suppliers we undertake due diligence to ensure we select and collaborate with those that align with our values and the way we do business. We also periodically visit key manufacturing sites, and none of these visits have revealed any instances of concern.

All manufacturers of our medicines are required to operate under GMP requirements (see page 28).

For further detail on our approach, please see our Governance Statement on pages 46 to 61 of this report and the governance section of our website.

FOCUS AREA:

Ethical Marketing and Sales Practices

AFT is committed to following ethical sales and marketing practices in all the markets where it operates and licenses its products. We understand this commitment is vital to maintaining trust in our business.

Performance:

- No notification of breaches of regulatory advertising codes in any of the markets where our products were sold.

The sale and marketing of our products is regulated in all the markets where we sell our products or where we out-license them to third parties. In Australia, our largest market, the marketing, and advertising of pharmaceutical consumer products is largely governed by the Therapeutic Goods Advertising Code. For prescription medicines we observe the Medicines Australia Code of Conduct. Both regimes are overseen by the regulator, the Therapeutic Goods Administration.

Similarly, in New Zealand, our practices align with the Therapeutic and Health Advertising Code. In both markets we regularly engage third parties to ensure compliance and have processes in place to ensure compliance with broader regulations.

Beyond these regions, we are committed to complying with local codes. Licensees' adherence to relevant legal frameworks and sales and marketing codes form part of our contractual engagement with them.

PRIORITY 4:

Supporting and Developing Our People

AFT is committed to ensuring equal opportunity for all its people regardless of race, nationality, gender, sexual orientation, age, religion, or physical ability. We are also committed to developing our people through education, training and providing workplace flexibility, including flexible work hours to accommodate employee needs.

FOCUS AREA:

Diversity and Inclusion

Performance:

- Strong gender, age, cultural diversity across AFT's workforce
- We have a loyal and stable workforce.
- Annual internal review reveals no gender remuneration disparities.
- All staff and contractors are paid at least the living wage.

We recognise that building a culture of diversity, accountability, and fair reward will deliver improved business performance and help to ensure we can attract and retain highly skilled people. These commitments are underpinned by Board-level policies including a Code of Culture and Ethics, Diversity & Inclusion, Remuneration and Whistleblowing, all of which are available on the investor section of our website.

We are proud of the diversity we have achieved at AFT and believe it is one of our core strengths. As at the end of March 2024 we had 110 employees up from 100 in the prior year.

Our workforce continues to reflect the diversity of New Zealand and Australia and the other markets where we operate. At the end of March 2024 the team hailed from 35 different cultural identities and 24 birth countries, with a gender split of 63% women and 37% men and an age spread of employees ranging from 22 years to more than 72 years (average age of 43.5 years old).

Gender Composition of AFT's Workforce

The respective numbers and proportions of men and women at various levels within the AFT workforce as of 31 March 2024 and 31 March 2023 are set out in the table below:

	Female				Male			
	2024[1]		2023[1]		2024[1]		2023[1]	
Directors	2	33%	2	33%	4	67%	4	67%
Officers[2]	4	50%	4	50%	4	50%	4	50%
Workforce	69	63%	64	61%	41	37%	36	39%

1 Figures at the end of the relevant financial year.

2 Officers are considered to be the Managing Director and his direct reports. Managing Director Hartley Atkinson and Chief of Staff Marree Atkinson are included in both the number of directors and the number of officers.

Our success on these diversity measures reflects our determination to promote a culture that is free from discrimination, harassment, and victimisation. It also reflects our focus on emphasising the accountability of AFT Pharmaceuticals' leaders to cultivate a culture of inclusion in which the strengths of every individual are recognised and valued.

These efforts are supported by an ongoing programme to educate our team on the importance of creating a diverse and inclusive environment and providing awareness of the potential for unconscious bias in people management processes.

Our team is also supported by continuous workplace policy development.

Last year we updated our maternity policy requiring AFT to match government contributions in all the territories where we operate. We also introduced a Family Violence policy to provide time and support to any employees associated with violence in the home.

We monitor the diversity of our workforce. Given that we are an internationally focussed business, we aim to ensure that our workforce continues to benefit from this broad range of perspectives and backgrounds, and we report quarterly to the board on the number of employees and the spread of gender, age, birth country, and cultural identity.

Remuneration and Gender Pay Equity

We strive to ensure all employees and contractors receive equal and fair treatment in all aspects of the company's employment policies and practices and that they are incentivised towards the success of the company.

We hire the 'best person' for the job, regardless of gender, age, and culture, and incentivise our people in a way that is aligned with the long-term success of the company.

To ensure we deliver on these commitments we undertake an annual merits-based remuneration review, which provides visibility to management in relation to the parity of working conditions and pay across the workforce. This review also considered deviations from company averages and targets to understand whether any unconscious bias is occurring in recruitment or promotion.

We are comfortable that we have achieved gender pay equity through a series of reviews detailed in previous reports, but it is clear that in some teams there is over-representation of one gender over the other. However, this reflects the higher applicant rate of those genders when recruiting new members to teams. This factor is taken into consideration when making future hires, with the aim to improve the balance over time, where possible.

We are meanwhile committed to paying the living wage at a minimum but reflecting nature of our business and the capabilities and skills of our people, the vast majority receive remuneration well above this level.

Further detail is covered in the remuneration section on pages 62 to 67 of this report.

FOCUS AREA:

Developing Our People

We continue to upskill our people recognising the role it plays in maintaining our competitive advantage and building the company's reputation as a great place to work.

In addition to the formal induction processes into our company culture and policies, we support our staff in pursuing development of skills in their chosen fields. AFT pays for all professional membership fees such as pharmacists, accountants, and lawyers to ensure their continued education and professional memberships are maintained.

FOCUS AREA:

Health and Safety

AFT has a Health and Safety Policy and both the Board and management are committed to promoting a safe and healthy working environment for everyone working in or interacting with AFT's business.

Performance:

Health and Safety indicator	Target	2024[1]	2023[1]
Lost time to injuries	Zero	Achieved	Achieved
Total recordable injuries	Zero	Achieved	Achieved

1 Year to the end of March

The Health and Safety Policy requires AFT people to endeavour to take all practicable steps to provide a working environment that promotes health and wellbeing, while minimising the potential for risk, personal injury, ill health, or damage.

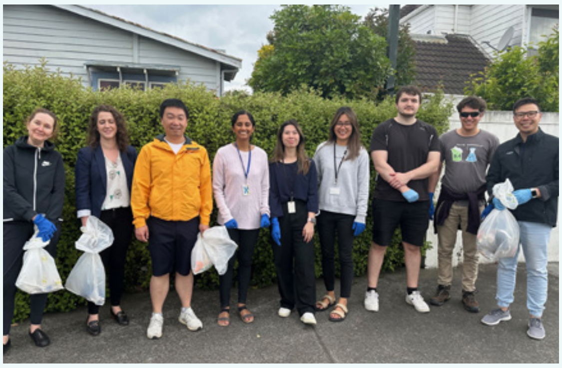
AFT operates an employee-led Health and Safety Committee, and it meets regularly to monitor and manage health and safety risks, including hazards, within the business. We assist employee health by providing flu vaccinations and train our people in first aid and responses to emergencies such as cardiac arrests.

We undertake monthly audits of health and safety practices and performance, and the outcomes of these audits are reported to the Board. We have a strong record in health and safety as evidenced by our performance against health and safety targets above.

Health and safety in our supply chain is covered through standards laid out in the Supplier Code of Conduct.

Building Culture

We take our share of responsibility for keeping the beach in front of our Takapuna Auckland office clean and free from plastic pollution. AFT staff volunteers have spent several sessions over the year picking up rubbish on the beach and disposing of it responsibly. This is an ongoing initiative driven by the AFT Social Committee, which not only supports our local area but also builds awareness and stewardship of our environment.



PRIORITY 5:

Understanding Our Climate-Related Risks and Taking Action

We are committed to understanding and transparently communicating to our stakeholders the implications of climate change on our business. We are also committed to ensuring the measures we are taking to mitigate the material risks, leverage the opportunities presented and reduce our environmental footprint are robust, and evidence based.

FOCUS AREA:

Undertaking a Climate-Risk Assessment

Performance:

- We completed our first climate risk assessment, and our first disclosure required under the Aotearoa New Zealand Climate Standards (see pages 108 to 120 of this report).
- We measured our greenhouse gas (GHG) emissions, identified the physical and transitional impacts of climate change and the material risks and opportunities to our business.
- We determined that climate change represents a relatively low risk to the sustainability of our operations.

Assessing Our Climate Risk

In completing this climate risk assessment, and in compliance with the new Aotearoa New Zealand Climate Standards, we have reviewed and refined our governance structures, and leveraged external expertise to ensure we have the capability to understand the risks and opportunities of climate change and take action. We have also measured our emissions and undertaken a rigorous analysis on the impact of climate change on our operations under various global warming scenarios.

Based on our first disclosure and our current information, Climate Change does not represent a material risk to our business.

The most significant physical risks to the business are the potential for extreme weather to disrupt manufacturing and distribution. Meanwhile our transition to a low carbon future could be hampered by a lag in the development of technology that would allow that transition and similarly, a misalignment in medical and climate change regulation.

Nevertheless, we believe we are now well prepared to refine and implement our strategy to manage climate related risks and opportunities.

AFT Greenhouse Gas Emissions

The first step in AFT's transition towards a low carbon business model has been to establish a baseline measure of our greenhouse gas emissions. Our Scope 1 and 2 emissions are disclosed below and in appendix 1 on pages 108 to 120 and we are in the process of measuring our Scope 3 emissions, which will be disclosed in the FY25 disclosure.

Our emissions inventory covers the period 1st April 2023 to 31st March 2024, and has undergone independent assurance from Toitū Envirocare to ensure accuracy and completeness.

Category (ISO 14064-1:2018)	Scopes (ISO 14064-1:2006)	2024
Category 1: Direct emissions (tCO_2e)	Scope 1	331.76
Category 2: Indirect emissions from imported energy (location-based method*) (tCO_2e)	Scope 2	18.57
Total direct emissions (tCO_2e)		**331.76**
Total indirect emissions* (tCO_2e)		**18.57**
Total gross emissions* (tCO_2e)		**350.33**
Category 1 direct removals (tCO_2e)		0.00
Purchased emission reductions (tCO_2e)		0.00
Total net emissions (tCO_2e)		**350.33**

*Emissions are reported using a location-based methodology.

FOCUS AREA:

Working With Suppliers Committed to Climate Action

We are committed to mitigating the risks and taking advantage of the opportunities of climate change and aligning our business model with a future that's climate resilient.

Performance:

- We have formed a standing management committee, the Climate Governance Working Group to assess and manage climate related risks and opportunities for the company.
- Climate change matters are included in strategic planning processes, and we are positioned to take action that is founded on robust evidence and an understanding of what matters most to our stakeholders.
- We have established science-aligned targets for our Scope 1 and 2 emissions, consistent with limiting global warming to 1.5 degrees Celsius.
- We are now developing our emissions reduction plan, which will provide a roadmap to achieve our emissions targets.

Building Internal Capability

At the heart of our strategy to mitigate the risks of climate change and act is our Climate Governance Working Group, which is a standing senior management committee that meets quarterly and is led by our Chief Executive and Chief Financial Officer. Its tasks include assigning responsibilities, integrating climate risks into our strategy, operationalising initiatives, and monitoring progress. The Board reviews the climate strategies advanced by this group during an annual strategic planning session and bi-annually revises the risk register. Through this process we expect to continue to evolve strategies and ensure adaptation to climate challenges in a way that aligns closely with broader executive and Board-level strategic reviews.

PRIORITY 6:

Waste Minimisation

AFT is working to minimise the waste it generates. Our immediate approach towards this vision and to make a meaningful difference is to take a life-cycle approach to packaging from manufacture to disposal, with a keen focus on supply-chain, distribution, consumer, and hospital packaging.

FOCUS AREA:

Improving our Consumer Packaging

FOCUS AREA:

Reducing Waste in the Supply Chain

AFT is a member of the Australian Packaging Covenant Organisation (APCO), which partners with government and industry to reduce the harmful impact of packaging on the environment. It achieves this by promoting sustainable design and recycling initiatives, waste to landfill reduction activities and circular economy projects.

Our latest APCO assessment recognises AFT as 'advanced' in its efforts against the organisation's goals. This is the same overall rating as the prior year, but we made significant advances.

We achieved the majority of the packaging goals we set in the prior year covering strategies to increase the sustainability and recoverability of our packaging, recycle waste at our warehouses and offices, and the development of strategies to eliminate problematic materials in the supply chain.

Our report covers primary packaging (the material that contacts the medicine), secondary packaging (encompasses the primary packaging) and the outer packaging.

Primary packaging is regulated according to strict pharmacopeial standards and consequently we have taken the position that most of our products cannot be manufactured from recycled material.

For example, the glass material used to pack pharmaceutical products, especially those for parenteral administration must be made of specialist glass with high a hydrolytic resistance. However, we work hard to improve the recoverability of our secondary and outer packaging.

The latest APCO report will be available on our website when finalised.

Performance: Governance and Strategy

Achievements: AFT has integrated sustainable packaging strategies into its procurement processes. We are aiming to achieve the APCO 2025 goals where permissible:

Nearly 100% of our packaging is now reusable, recyclable, or compostable.

Design and Procurement

Achievements: 99% of all our packaging was reviewed against sustainability principles, in line with the prior year. We also achieved an increase in the amount of packaging marked with the recycling logo from 7% to 15%.

Recycled Content

Achievements: We maintained our efforts to use recycled materials in packaging. Packaging with recycled material was 24% compared to the 31% in the prior year. We are working with suppliers to better define the detailed componentry of the primary packaging from recycled verses non recycled.

Recoverability

Achievements: We advanced our efforts in recycling with 97% of packaging materials designed to be recyclable, steady on the prior year's result of 98.7%. We also maintained strong partnerships with third-party logistics for material reuse.

Disposal Labelling

Achievements: We enhanced consumer guidance by doubling the disposal labelling on packaging to 15% (by weight) from 7% last year and we expect this number to continue to increase. We have recycling labels on 59% of our secondary and tertiary packaging up from 23% in the prior year.

On-site Waste

Achievements: We improved waste management on-site, with 99% of waste now recyclable.

Problematic Materials

Achievements: We identified and addressed the use of problematic materials like PET and PVC, which currently constitute 10% of our packaging. Alongside Australian guideline we are working with our suppliers and regulators to try and reduce PET and PVC over the next five years.

Reconciliation of EBITDA to GAAP

AFT's standard profit measure prepared under New Zealand GAAP is net profit after tax. AFT has used the non-GAAP profit measure of EBITDA when discussing financial performance in this document. AFT directors and management believe that this measure provides useful information as it is used internally to evaluate performance of business units, to establish operational goals and to allocate resources.

Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by AFT in accordance with NZ IFRS.

GAAP to Non-GAAP reconciliation

NZ$'000's **Year ended 31 March**	**2024**	**2023**
Net profit after tax attributable to owners of the parent	15,609	10,654
Less: Finance income	(66)	(13)
Add back: Interest costs	3,686	2,873
Add back: Other finance loss/(gain)	(1,404)	1,010
Add back: Depreciation	1,003	808
Add back: Amortisation	1,010	916
Add back: Income tax expense/(benefit)	6,410	5,145
EBITDA	**26,248**	**21,393**

GOVERNANCE

An Experienced and Skilled Board

AFT has an experienced and balanced Board with a diverse range of skills. It comprises an Independent Chairman, three other Non-Executive Independent Directors and two Executive Directors. Their names and information about their skills, experience, and background, together with information about AFT's management team, are set out above and on the following pages.

David Flacks

CHAIRMAN

Appointed 22 June 2015

David has a number of governance roles and has been chair of AFT since the company's initial public offer in 2015. David is also chair of the Suncorp New Zealand group of companies. He is a director of Todd Corporation, and a number of environmentally focused pro bono organisations. He is a former chair of the NZX Markets Disciplinary Tribunal and a former member of the Takeovers Panel. He is also a director of boutique corporate law firm Flacks & Wong. David was for many years a senior corporate partner at Bell Gully and was general counsel and company secretary of Carter Holt Harvey during the 1990s. He is a law graduate from Cambridge University.

Dr Hartley Atkinson

CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTOR, AND CO-FOUNDER

Appointed 4 September 1997

Hartley founded AFT in 1997. Before founding AFT, Hartley worked at Swiss multinational pharmaceutical company, Roche, for eight years where he held positions as Sales & Marketing Director, Medical Director, Product Manager and Medical Manager. Prior to that Hartley was a Drug Information Pharmacist and Researcher at the Department of Clinical Pharmacology, Christchurch Hospital. Hartley is the author of more than 30 scientific publications and his work has been published in the prestigious The New England Journal of Medicine. Hartley holds a doctorate in Pharmacology, a Masters in Pharmaceutical Chemistry with distinction, and a Degree in Pharmacy, all from the University of Otago.

Marree Atkinson

CHIEF OF STAFF, EXECUTIVE DIRECTOR, AND CO-FOUNDER

Appointed 4 September 2012

Marree has been involved in all aspects of AFT's business since its establishment in 1997, including roles in sales, regulatory affairs, customer services and logistics. Marree's role as Chief of Staff sees her involved in the day-today running of AFT's head office including managing staffing requirements and special projects involving AFT's head and affiliate offices. Marree is a registered nurse previously practising at Waikato Hospital.

Anita Baldauf

INDEPENDENT DIRECTOR

Appointed 4 November 2020

Anita brings to AFT a broad and international experience in FMCG and Corporate Finance. Her 22-year career at Nestlé and L'Oréal (Laboratoires Innéov), mostly as CFO in multiple developed and developing countries, gave her a rich expertise in finance and investor relations, compliance and governance, international business as well as people development, and value-based leadership. Anita is impassioned about driving impact, particularly in the area of Wellbeing and mental health. She is a Fellow of the Edmund Hillary Fellowship, where she is advising and supporting New Zealand and international start- ups and impact ventures as they navigate through the challenges of exponential change, rapid growth, and their aim for impact and sustainability.

Andrew Lane

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 28 September 2023

Andrew has more than 30 years' experience of leadership in the global pharmaceuticals industry with expertise across a broad range of disciplines including finance, manufacturing, sales, marketing, and strategy. Most recently he was Global President of Abbott Laboratories Pharma Division where he led a multi-billion-dollar operation that had 30 manufacturing plants, 12 Innovation and Development sites and 40,000 staff covering more than 100 countries. Before that he was Vice President of Takeda, Asia Pacific, where he managed the company's operations in 12 countries, which included three factories and 2,000 staff. He has also held senior roles with multi-national pharmaceutical companies Nycomed, DKSH, Novartis, and Sandoz.

Dr Ted Witek

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 23 December 2020

Ted served Boehringer Ingelheim Pharmaceuticals for nearly 25 years where he held various pharmacology and clinical research positions, including Director of Respiratory and Immunology Clinical Research leading to his roles as President and CEO of Boehringer Ingelheim's Canadian and Portuguese operations. He led the Global Operating Team for Spiriva serving as Co-Chair of the Global Alliance with Pfizer. Ted also was Chief Scientific Officer & Senior Vice President, Corporate Partnerships, at Innoviva (Formerly Theravance, Inc.). He also served on the Board of Directors of Canada's Research-Based Pharmaceutical Companies (Rx&D) including Chair of the Health Technology Assessment and Public Relations Committee. He was appointed to the Ontario Health Innovation Council, an advisor to the Design for Health Program at OCAD University. He is currently a Professor & Senior Fellow at the University of Toronto's School of Public Health & Leslie Dan Faculty of Pharmacy. He serves as Director of the DrPH program. Ted is the author of more than 100 scientific papers as well as several chapters and books.

Our Senior Management Team

Malcolm Tubby

CHIEF FINANCIAL OFFICER

Malcolm is a qualified Chartered Accountant in the United Kingdom, Australia, and New Zealand with a wealth of senior corporate governance expertise, including roles in significant public companies as Chief Financial Officer. He has experience in senior positions in public and private companies in pharmaceuticals, beverages, insurance and aged care facilities in Australia and New Zealand. Malcolm has been involved with AFT since its foundation.

Ioana Stanescu

CHIEF SCIENTIFIC OFFICER

Ioana has overall responsibility for AFT's research and development. She has over 25 years' experience in the pharmaceutical industry, including positions as Vice President Quality Assurance & Regulatory Affairs and Head of Vaccine Business Area at FIT Biotech Limited, and a WHO adviser within Central and Eastern Europe. She has also coordinated several European Union funded research grants and was selected as an Expert by the European Health Committee – Council of Europe to participate in a research study in 1999.

Vladimir Ilievski

REGULATORY AFFAIRS MANAGER

Vladimir holds a Masters degree in Pharmacy from the University of Ljubljana, Slovenia, where he started his career as a pre-clinical researcher before moving to New Zealand. Prior to joining AFT in 2006, Vladimir worked for Douglas Pharmaceuticals in various roles including as Quality Control and Quality Assurance Analyst and as a Regulatory and Senior Regulatory Associate. Vladimir has responsibility for product registrations in countries in Australasia, Asia, the Middle East, and the United Kingdom.

Louise Clayton

DIRECTOR
INTERNATIONAL BUSINESS

Louise joined AFT in 2017 and is responsible for Global International Business Development, Alliance Management and Marketing. Louise has over 20 years' experience in driving international brands within sales, brand marketing, product sourcing, new product development, and new market expansion. Her core focus is global expansion, brand growth and alliance management through strong partnerships with Licensees, Distributors, and our AFT affiliates.

Scott Crawford

GENERAL MANAGER
PROMOTED PRODUCTS

Scott joined AFT in 2013 and is responsible for the Promoted Products Sales in Australia and New Zealand across all retail channels including Primary Care, Pharmacy, Supermarkets, Petrol, and Convenience. His role as General Manager of Promoted Products involves the coaching and development of account managers, field supervisors and trade marketing across ANZ. Scott has over 20 years' experience in fast-moving consumer goods in both Australia and New Zealand and has previously held roles with Red Bull, Ferrero Confectionery, Smiths Snackfoods and National Foods.

Murray Keith

GROUP MARKETING MANAGER

Murray joined AFT Pharmaceuticals in 2011 and has since been responsible for managing our marketing function, with a primary focus on the Australian and New Zealand markets. His extensive marketing career prior to joining AFT includes a range of roles working across a number of blue-chip brands and companies, including Nestlé, Lion Nathan, Bay of Plenty Rugby, Nestlé Purina, New Zealand Lotteries and Fonterra Brands.

Corporate Governance Statement

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

The Board has had regard to the NZX Listing Rules and a number of corporate governance recommendations when establishing its governance framework, including:

- the NZX Corporate Governance Code as dated 1 April 2023 ('NZX Code'); and
- the Third and Fourth Editions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (notwithstanding AFT is not required to follow these recommendations owing to its ASX Foreign Exempt Listing).

The NZX Listing Rules require AFT to formally report its compliance against the recommendations contained in the NZX Code dated 1 April 2023 and it sets out in this Corporate Governance Statement how it has implemented the recommendations in the current version of the NZX Code.

Except to the extent outlined in this Corporate Governance Statement, the Board considers that AFT's corporate governance structures, practices and processes have followed all the recommendations in the NZX Code in the financial year ended 31 March 2024.

For ease of reference, relevant sub-headings in this Corporate Governance Statement include a reference to the primary relevant recommendation(s) in the NZX Code to which the disclosures under that sub-heading relate. This is a general guide only, and disclosures under a particular sub-heading are not limited solely to the recommendation(s) referred to in that sub-heading.

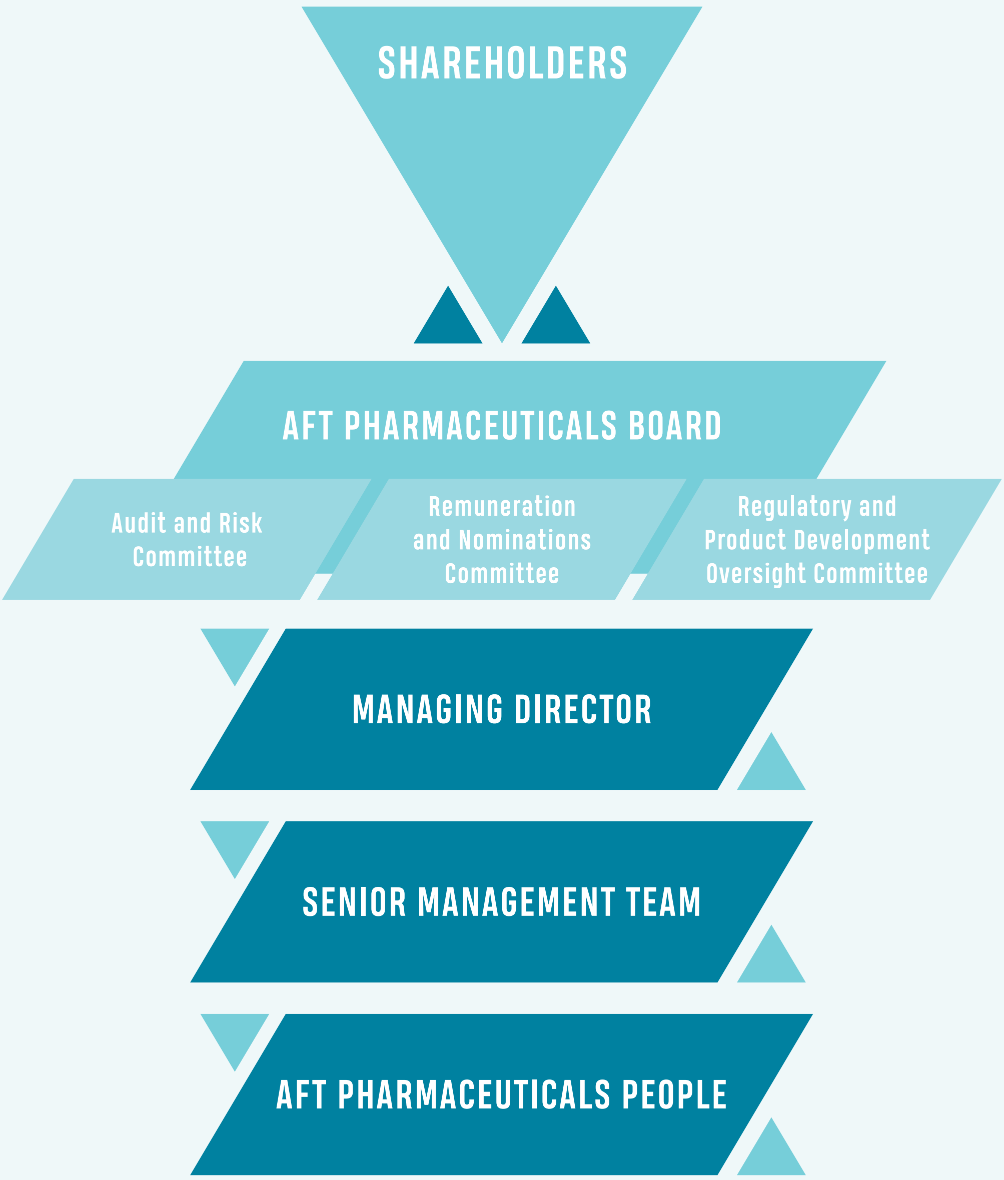
AFT's governance charters and policies can be found in the Investor Centre on the Company's website (https://investors.aftpharm.com/investors/). AFT's corporate governance charters and policies have been approved by the Board and are regularly reviewed by the Board and amended (as appropriate) to reflect developments in corporate governance practices.

This Corporate Governance Statement was approved by the Board on 21 May 2024 and is current as at that date.

Stock Exchange Listings

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

Overview of AFT's Governance Structure



The AFT Board of Directors has been appointed by shareholders to protect and enhance the long-term value of AFT and to act in the best interests of AFT and its shareholders.

The Board is the ultimate decision-making body of the Company and is responsible for the corporate governance of the Company. The role and responsibilities of the Board are set out in the Board Charter, which can be found in the Investor Centre on the Company's website.

The Board currently comprises a Non-Executive Chair, three other Non-Executive Directors, and two Executive Directors, as detailed in the Investor Centre on the Company's website and page 42 and 43 of this report.

The Board has established three standing Board Committees to assist in the execution of the Board's responsibilities:

- Audit and Risk Committee;
- Remuneration and Nominations Committee; and
- Regulatory and Product Development Oversight Committee.

PRINCIPLE 1:

Ethical Standards

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Code of Culture and Ethics

(Recommendation 1.1)

The Board recognises that high ethical standards and behaviours are central to good corporate governance. It has implemented a Code of Culture and Ethics ('the Ethics Code') to guide the behaviour of its Directors, Senior Managers, and Employees.

The Ethics Code establishes the framework by which Directors and staff of AFT are expected to conduct their professional lives by facilitating behaviour and decision-making that meets AFT's business goals and is consistent with AFT's values, policies, and legal obligations.

The Ethics Code is available to staff on AFT's intranet and forms part of the induction process for new employees. Existing staff receive refresher courses at least once every three years. Regular reminders are provided to staff about the application of the Ethics Code.

The Ethics Code addresses:

- AFT's values and commitments to establishing an inclusive culture;
- conflicts of interest;
- receipt of gifts;
- corporate opportunities;
- confidentiality;
- behaviours and responsibilities;
- proper use of AFT property and information;
- compliance with laws and AFT policies;
- reporting issues regarding breaches of the Ethics Code, legal obligations, or other AFT policies; and
- additional Director responsibilities.

AFT encourages staff to report any concerns they have about compliance with the Ethics Code, AFT policies, or legal obligations. It achieves this with staff-wide communications and has established a designated email address, that is directed to the personal emails of all Non-Executive Independent Directors, for staff to confidentially raise any concerns they may have.

The Board holds six-monthly reviews of the Ethics Code and expects any incidents arising under the Ethics Code to be brought to Directors' attention immediately. AFT's process for managing any breach of the Ethics Code is detailed in the Ethics Code.

In addition, AFT has implemented the following stand-alone policies to support the application of the Ethics Code and define the process for raising concerns about actual, suspected, or anticipated wrongdoings within the AFT group of companies:

- Diversity and Inclusion Policy;
- Anti-Bribery and Anti-Corruption Policy;
- Whistleblowing Policy;
- Conflicts of Interest Policy;
- Modern Slavery Policy; and
- Supplier Code of Conduct.

The Ethics Code and the policies listed above are available in the Investor Centre on the Company's website.

Securities Trading Policy

(Recommendation 1.2)

The Company is committed to ensuring that its people comply with legal requirements not to trade AFT securities while in possession of inside information. AFT's Securities Trading Policy accordingly applies to all Directors, Officers, Employees, and Contractors of AFT and its subsidiaries.

The Securities Trading Policy seeks to ensure that those subject to the Policy do not trade in AFT securities if they hold undisclosed price-sensitive information. The Policy sets out additional rules, which includes the requirement to seek Company consent before trading and prescribes certain black-out periods during which trading in the Company's securities is prohibited.

Compliance with the Securities Trading Policy is monitored through the consent process, through education and periodic reminders and via notification by AFT's share registrar when any Director or Senior Manager trades in AFT securities.

All trading by Directors and Senior Managers (as defined by the Financial Markets Conduct Act 2013) is required to be disclosed to NZX and in AFT's Interests' Register.

AFT's Securities Trading Policy is available in the Investor Centre on the Company's website.

PRINCIPLE 2:

Board Composition and Performance

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Role of the Board

(Recommendation 2.1)

The business and affairs of the Company are managed under the direction of the Board of Directors. At a general level, the Board is elected by shareholders to:

- provide leadership to the Company;
- build sustainable value for shareholders;
- establish the Company's values and objectives;
- develop major strategies for achieving the Company's objectives;
- manage financial and non-financial risks including those associated with sustainability and climate;
- determine the overall policy framework within which the business and Company are operated; and
- monitor management's performance and remuneration with respect to these matters.

The Board has adopted a Board Charter that regulates internal Board procedure and describes the Board's specific roles and responsibilities. The Board delegates management of the day-to-day affairs and responsibilities of the Company to the management team under the leadership of the Chief Executive Officer ('CEO'), to deliver on the strategic direction and goals determined by the Board. The Chief Executive Officer has, in some cases, formally delegated certain authorities to his direct reports within set limits.

The Board regularly monitors and reviews management's performance in the execution of its delegated responsibilities and the appropriateness of its delegated authority policy.

Board Membership, Size, and Composition

(Recommendation 2.2, 2.3)

The size of the Board is determined by the Board from time to time, in accordance with the limitations prescribed in the NZX Listing Rules and in accordance with the provisions of AFT's Constitution and the Board Charter.

As at 31 March 2024 the Board comprised six Directors:

Director	Role
David Flacks	Non-Executive Director and Chair
Anita Baldauf	Non-Executive Director
Andrew Lane	Non-Executive Director
Dr Ted Witek	Non-Executive Director
Hartley Atkinson	Executive Director and Chief Executive Officer
Marree Atkinson	Executive Director and Chief of Staff

The average tenure of Non-Executive Directors at the date of this report is 4 years. A biography of each Director, their qualifications and relevant experience can be found on page 42 and 43 of this report and in the Investor Centre on the Company's website.

The Board has delegated to the Remuneration and Nominations Committee the responsibility for identifying and recommending Director candidates for the approval of the Board. When recommending candidates, the Committee takes into account factors it deems appropriate, including the diversity of background, experience, and qualifications of the candidates.

When appointing Directors, the Board undertakes appropriate background checks. Newly appointed Directors are required to enter into letters of appointment, setting out the terms of their appointments.

As AFT operates in specialised markets, the Board believes that it is important to have Directors with a broad range of experience and skills, gained both locally and internationally, that are appropriate to meet its objectives.

The Board has developed (and periodically reviews and updates) a comprehensive skills matrix to inform Board succession planning and considers each Director's experience against identified industry specific and broader governance-related skills. Industry-specific skills identified as being particularly relevant include:

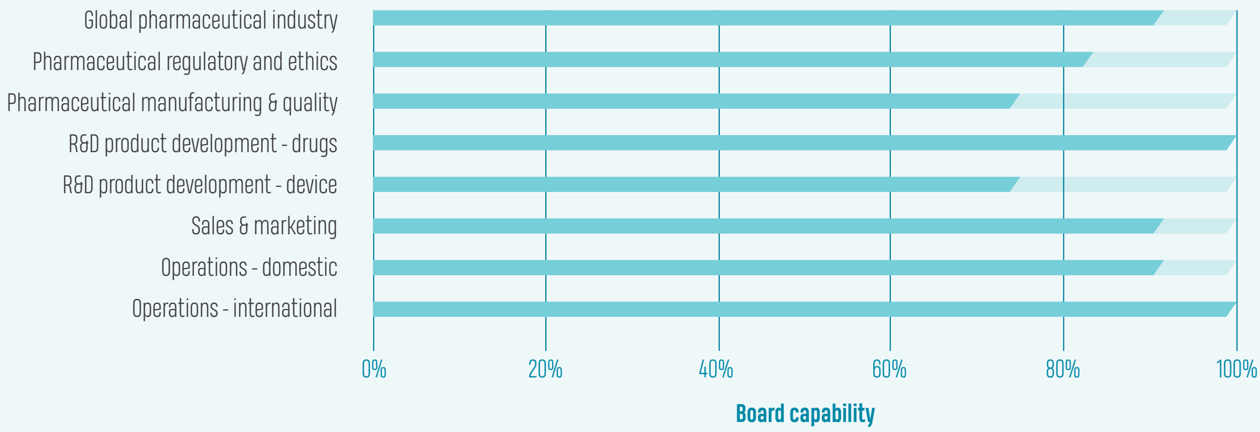
- global pharmaceutical industry experience;
- pharmaceutical regulatory and ethics experience;
- R&D product development for drugs and devices;
- commercial operations experience – both domestic and international; and
- pharmaceutical sales and marketing.

A summary of the board's assessment of its aggregate capability against these criteria is set out below, with an assessment of 100% representing very high Board capability. The Board arrived at these assessments by calculating the aggregate scores of the three most highly skilled Directors in each of these domains.

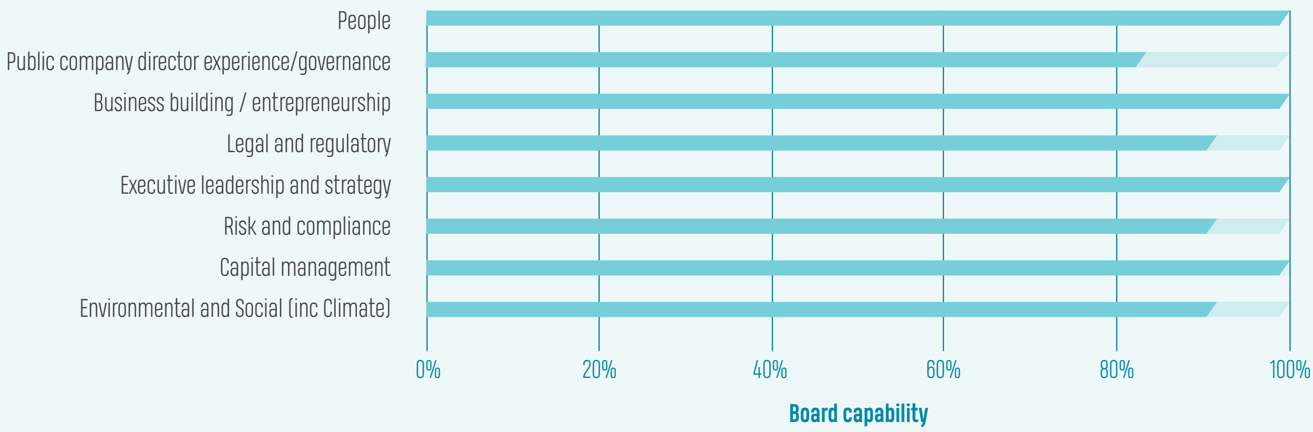
This approach recognises that a diversity of skills is important to delivering best practice governance and that it is unrealistic and unnecessary for all Directors to be highly skilled in each of the relevant domains. It also balances these considerations against the need to ensure a diversity of well-informed perspectives is brought to bear on any issue brought before the Board.

Board Capability

Board Skills Specific to AFT Pharmaceuticals



Generic Board Skills



Board Appointment, Training, and Evaluation

(Recommendation 2.6, 2.7)

The procedure for the appointment and removal of Directors is ultimately governed by the Company's Constitution and relevant NZX Listing Rules.

A person may be appointed as a Director by the Board or by appointment at a meeting of shareholders.

A Director appointed by the Board must not hold office (without standing for re-election) past the next Annual Shareholders Meeting following their appointment. Directors are otherwise subject to the rotation requirements set out in the NZX Listing Rules.

At the end of September Jon Lamb retired from the Board and was replaced by Andrew Lane.

Additionally, in accordance with the rotation requirements of the NZX Listing Rules, Executive Director Marree Atkinson, was re-elected to the Board at the Company's 2023 Annual Shareholders Meeting.

At the time of appointment, each Director receives a copy of AFT's Corporate Governance Manual (comprising all AFT's core governance documents) and is introduced to the business through a specifically tailored induction programme.

All Directors are regularly updated on relevant industry and Company issues and undertake training to remain current on how to best perform their duties as Directors of AFT.

During the Board's annual evaluation process, training needs are considered to assist Directors to remain upskilled on the business and industry and legislative developments. All Directors have access to Senior Management to discuss issues or obtain information on specific areas or items to be considered at a Board meeting or other areas they consider appropriate.

The Board, Board committees and each Director have the right to seek Independent professional advice at AFT's expense to assist them in carrying out their responsibilities. During the financial year ended 31 March 2024, the Board undertook a review of its own and its committees' composition and performance to ensure they are effectively governing AFT and monitoring AFT's performance in the interests of shareholders.

Independence of Directors

(Recommendation 2.4, 2.8, 2.9, 2.10)

A majority of AFT's Directors are Independent. The factors the Company takes into account when assessing the independence of its Directors are set out in the NZX Code and the Board Charter and include factors such as the Director's professional and personal relationships with the Company and its subsidiaries and the Director's length of tenure as applicable.

Generally, a Director is considered to be Independent if that Director is not an employee of AFT and does not have any direct or indirect interest, position, association, tenure, or relationship that could reasonably influence, or be perceived to influence, in a material way, the Director's capacity to:

- bring an independent view to decisions in relation to AFT;
- act in AFT's best interests; and
- represent the interests of AFT's shareholders generally.

The Board has determined, based on information provided by Directors regarding their interests and the criteria specified in the Board Charter, and for the purposes of the NZX listing rules that at 31 March 2024 (and the date of this Annual Report), each of David Flacks, Anita Baldauf, Andrew Lane, and Dr Ted Witek is an Independent Director.

The Board has also determined that Hartley Atkinson and Marree Atkinson are not Independent Directors owing to also being executives of the Company; and, in Hartley Atkinson's case, he is also a trustee of a substantial product holder of the Company, and each of Hartley and Marree is a discretionary beneficiary of that substantial product holder.

The Board will review any determination it makes on a Director's independence on becoming aware of any new information that may affect that Director's independence.

For this purpose, Directors are required to ensure they immediately advise AFT of any new or changed relationship that may affect their independence or result in a conflict of interest.

The Board supports the separation of the role of Chairman and Chief Executive Officer. The current Chairman has been elected by the Board from the Independent Directors, in accordance with the terms of the Board Charter. The Chairman's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the Chief Executive Officer.

Conflicts of Interest

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and perceived) between their duty to AFT and their own interests. The Board Charter and the Conflicts of Interest Policy outline the Board's policy on conflicts of interest. AFT maintains an Interests' Register in which relevant disclosures of interest and securities dealings by the Directors are recorded.

Directors interests disclosures are carried in the Statutory Information Section on page 104 of this report.

Company Secretary

The Company Secretary, Malcolm Tubby, is responsible for supporting the effectiveness of the Board by ensuring that its policies and procedures are followed and for coordinating the completion and dispatch of the Board agendas and papers. The Company Secretary is accountable to the Board, via the Chairman, on all governance matters.

Diversity and Inclusion

(Recommendation 2.5)

The Board recognises that building diversity across AFT will deliver enhanced business performance.

AFT has adopted a Diversity and Inclusion Policy and is committed to achieving diversity in the skills, attributes and experience of its Board members, management, and staff across a broad range of criteria (including, but not limited to, culture, gender, and age).

AFT is proud to have a workforce consisting of many individuals with diverse skills, values, backgrounds, ages, genders, and ethnicities, and experiences. The Company works to ensure that its selection processes for recruitment and employee development opportunities are free from bias and are based on merit.

The Board as a whole is responsible for overseeing and implementing the Diversity and Inclusion Policy but has delegated to the Remuneration and Nominations Committee the responsibility to develop and to recommend measurable objectives to the Board that are designed to adhere to the Policy.

AFT's Diversity and Inclusion Policy is implemented by promoting the following principles:

- reviewing progress against measurable diversity objectives and initiatives developed by AFT to deliver outcomes consistent with the Policy;
- promoting a working environment free from discrimination, harassment, and victimisation;
- emphasising the accountability of AFT's leaders to cultivate a culture of inclusion in which the strengths of every individual are recognised and valued;
- raising employee awareness of workplace diversity by designing, delivering, and measuring the effectiveness of programmes that promote workforce diversity, inclusion, and gender equity;
- striving to ensure that all employees and contractors receive equal and fair treatment in all aspects of the Company's employment policies and practices;
- promoting a culture that empowers employees to act in accordance with the Policy; and
- regularly benchmarking AFT's diversity standpoint, status, and objectives against appropriate external comparators.

The Board has conducted its annual assessment of its diversity objectives and the Company's progress towards achieving these objectives in respect of the financial year ended 31 March 2024.

The steps AFT took during the year to develop and maintain a diverse and inclusive working environment and fair remuneration, including gender pay gap reporting, are detailed on page 33 of this report. In accordance with the NZX listing rules it also lists on those pages the gender composition of the Directors and Officers at balance date alongside the gender composition of its workforce.

In the year ahead (the financial year ending 31 March 2025) the Company will continue to monitor and benchmark against the diversity and inclusion objectives agreed by the Board for the financial year ended 31 March 2025.

PRINCIPLE 3:

Board Committees

"The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."

The Board uses committees to deal with issues requiring detailed consideration, thereby enhancing the efficiency and effectiveness of the Board. However, the Board retains ultimate responsibility for the functions of its committees and determines each committee's roles and responsibilities.

The current committees of the Board are:

- Audit and Risk Committee;
- Remuneration and Nominations Committee; and
- Regulatory and Product Development Oversight Committee.

Details of the roles and responsibilities of these committees are described in their respective charters and summarised below. The committee charters are available in the Investor Centre on the Company's website.

From time to time the Board may constitute an ad-hoc committee to deal with a particular issue that requires specialised knowledge and experience. Proceedings of each committee meeting are reported back to the Board to allow other Directors to question committee members and to keep apprised on matters being considered by each committee.

Audit and Risk Committee

(Recommendation 3.1, 3.2)

The primary function of the Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities relating to the Company's risk management and internal control framework, the integrity of its financial and non-financial reporting (including reports on sustainability, corporate social responsibility, and environmental activities) and the Company's auditing processes and activities.

Under the Audit and Risk Committee Charter, the Committee must be comprised of a minimum of three members who are each Non-Executive Directors, a majority of whom are Independent Directors and at least one Director with an accounting or financial background. Further, the Chairman of the Committee is required to be Independent and not be the Chairman of the Board.

Employees are not permitted to attend meetings of the Audit and Risk Committee without an invitation. The Chairman of the Committee should not have a long-standing association with AFT's external audit firm as a current, or retired, audit partner or senior manager at the firm.

The current members of the Committee are Andrew Lane (Chairman), David Flacks and Anita Baldauf. All members are Independent, Non-Executive Directors. Andrew Lane and Anita Baldauf are considered to have a financial background for the purposes of the NZX Listing Rules.

The Audit and Risk Committee held four formal Committee meetings during the financial year ended 31 March 2024.

Remuneration and Nominations Committee

(Recommendation 3.3, 3.4)

The Remuneration and Nominations Committee's role is to oversee remuneration policies and practices at AFT, oversee management succession planning, consider the composition of the Board, and recommend candidates to fill Board vacancies as and when they arise.

The Committee is also tasked with annually monitoring and evaluating the Company's performance with respect to its Diversity and Inclusion Policy.

Under the Remuneration and Nominations Committee Charter, the Committee must be comprised of a minimum of three members, a majority of whom are Independent Directors. Management of the Company are not permitted to attend the Remuneration and Nomination Committee unless invited.

The Chairman of the Committee is required to be Independent. The current members of the Committee are Andrew Lane (Chairman), David Flacks and Ted Witek.

The Remuneration and Nominations Committee held three meetings during the financial year ended 31 March 2024 and carried out other functions via circular resolution.

Regulatory and Product Development Oversight Committee

(Recommendation 3.5)

The Regulatory and Product Development Oversight Committee's role is to, at least bi-annually, review the Company's regulatory risk management framework relating to product development; oversee the Company's strategy relating to key clinical and product development projects and monitor the Company's compliance framework against applicable regulations regarding the sale and distribution of pharmaceutical products.

Committee members also meet frequently on an informal basis to discuss regulatory and new product development matters. The functioning of the Committee complements the monthly monitoring undertaken by the Board on the status of new product development and filings.

Under the Regulatory and Product Development Oversight Committee Charter, the Committee must be comprised of a minimum of three members. The current members of the Committee are Ted Witek (Chairman), Hartley Atkinson, and Marree Atkinson.

The Regulatory and Product Development Oversight Committee met twice during the financial year ended 31 March 2024.

Board and Committee Attendance

(Recommendation 3.5)

The Board met for nine regularly scheduled meetings during the financial year ending 31 March 2024. There were also separate meetings of the Board Committees during the year. In addition, the Board and management met during the year to undertake strategic planning.

Director	Board	Audit and risk committee	Remuneration and nomination committee	Regulatory and New Product Development Oversight Committee[1]
Dr Hartley Atkinson	9/9	–	–	2/2
Marree Atkinson	8/9	–	–	1/2
Anita Baldauf	8/9	4/4	–	–
David Flacks	9/9	4/4	3/3	–
Andrew Lane[2]	5/5	2/2	1/1	–
Dr Ted Witek	9/9	–	3/3	2/2
Jon Lamb[2]	5/5	2/2	2/2	–

1 Committee members also met frequently through-out the year on an informal basis to discuss regulatory and new product development matters.

2 Jon Lamb retired from the Board on 28 September 2023, and he was replaced on the same day by Andrew Lane.

Takeover Response Guidelines

(Recommendation 3.6)

AFT's Independent Directors have received legal advice on their Directors' duties, and the process to be followed, in the event of a takeover offer. The Board has formally adopted this advice as the protocols to be applied in the event of a takeover offer. Any takeover of AFT shares would require the support of the Atkinson Family Trust, which at present holds approximately 69% of the shares on issue.

PRINCIPLE 4:

Reporting and Disclosure

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

AFT is committed to the promotion of investor confidence by ensuring that the trading of Company shares takes place in an efficient, competitive, and informed market. The Board is tasked with ensuring the integrity of financial and non-financial reporting to shareholders and other stakeholders.

Market Disclosure Policy

(Recommendation 4.1)

AFT's Market Disclosure Policy establishes the Company's procedures for meeting the continuous disclosure requirements of both the NZX Main Board and the ASX. A copy of the Market Disclosure Policy is available in the Investor Centre on the Company's website. In addition to the procedures set out in that Policy, Directors and Management consider at each meeting whether there are any issues that require disclosure to the market.

Governance Policies on the Company's

(Recommendation 4.2)

AFT's governance charters and policies can be found in the Investor Centre on the Company's website.

Financial and Non-Financial Reporting

(Recommendation 4.3, 4.4)

The Board is responsible for ensuring the integrity of its financial and non-financial reporting. AFT is committed to providing shareholders and other stakeholders with a balanced and, clear, objective, understandable and easily accessible assessment of its performance, business model, strategic objectives, and its progress against them.

To achieve these goals the Company reports a range of financial and non-financial information at each results announcement and in its full-year reports.

Reporting Oversight

The Audit and Risk Committee closely monitors financial and other reporting risks in relation to the preparation of the financial statements and accompanying non-financial information.

With the assistance of management, the Audit and Risk Committee works to ensure that the financial statements and accompanying non-financial information are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting and other material risks.

As part of this process, the CEO and Chief Financial Officer are required to state in writing to the Board that, to the best of their knowledge, the Company's financial reports and accompanying non-financial statements:

- present a true and fair view of the Company's financial condition and operational performance;
- are in accordance with the relevant accounting standards; and
- are founded on a sound system of risk management and internal controls that are operating effectively.
- The Board receives copies of all material announcements made to the NZX and ASX.

Non-Financial Environmental Social and Governance ('ESG') Reporting

(Recommendation 4.4)

Over recent years AFT has been evolving its strategies to incorporate the ESG factors that are material to the Company's ability, and commitment, to creating value long-term. It has also taken steps to report its progress against those strategies in a way that is aligned with the Company's broader reporting standards and commitments.

The Company has aligned its ESG reporting to the United Nations Sustainable Development Goals, which reflect the most urgent global environmental, political, and economic challenges.

AFT has completed and regularly reviews its systematic and robust assessment of the ESG issues that are material to the Company and continues to evolve the breadth and depth of measures against which it can assess the Company's performance in managing these issues.

For the first time this year, the Company has issued a climate statement (on pages 108 to 120 of this report) made in accordance with the new Aotearoa New Zealand Climate Standards.

These disclosures are overseen by the Board. Further detail is covered in the sustainability section of this report.

PRINCIPLE 5:

Remuneration

"The remuneration of Directors and executives should be transparent, fair and reasonable."

AFT is committed to remunerating its Non-Executive Directors, Executive Directors, and employees fairly, transparently, and reasonably. The policies, procedures and outcomes on these commitments are detailed in the Company's remuneration report on pages 62 to 67 of this report.

Director Remuneration and Senior Executive Remuneration

(Recommendations 5.1, 5.2, 5.3)

Please see pages 62 to 67 of this report for Non-Executive Director and Executive Director and Senior Executive remuneration governance and the relevant disclosures.

PRINCIPLE 6:

Risk Management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them.

The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Risk Management Framework

(Recommendation 6.1)

Like other businesses, AFT manages a range of risks that have the potential to impact its performance, operations, reputation, and customers' safety. While some risks can never be eliminated, AFT works hard to identify their significance and manage them.

AFT has designed and implemented a risk framework for the oversight and management of financial and non-financial business risks, as well as related internal compliance systems that are designed to:

- optimise the return to, and protect the interests of its stakeholders;
- safeguard the Company's assets and maintain its reputation and social licence to operate;
- improve the Company's financial and operating performance;
- fulfil the Company's strategic objectives; and
- manage the risks associated with the sale and distribution of pharmaceutical products.

The Board has ultimate responsibility for AFT's risk management and internal control system, setting the 'tone at the top' with regards to risk culture and reviews the risk management framework and risk register at least twice a year.

The Audit and Risk Committee and Regulatory and Product Development Oversight Committee, under delegation from the Board, assists the Board in discharging its responsibilities.

The Audit and Risk Committee monitors compliance with the overarching risk and compliance framework, while the Regulatory and Product Development Oversight Committee oversees the Company's regulatory risk management framework regarding the development, quality assurance and sale and distribution of pharmaceutical products.

The Audit and Risk Committee, in conjunction with management, regularly reports to the Board on the effectiveness of the Company's management of its material business risks and whether the risk management framework and systems of internal compliance and control are operating effectively and efficiently in all material respects.

The Audit and Risk Committee conducts six-monthly reviews of AFT's risk management framework and principal risks register and satisfies itself that AFT's approach to risk is sound. Information regarding AFT's internal audit functions can be found under the section headed "Internal Audit Function" below.

Principal Risks

(Recommendation 6.2)

AFT's current principal risks and their mitigations are summarised below. AFT's risk management framework has positioned AFT well to respond to the challenges the Company faces. Further detail is included in the sustainability section of this report.

Risk	AFT mitigates this risk by:
Regulatory Approval Delay or failure in the development, manufacture, commercialisation, or regulatory approval process for AFT products.	– adopting a low risk and low-cost development programme; – using multiple manufacturing sites for our key products and maintaining close working relationships with our suppliers; – engaging both in-house and external regulatory experts in our key markets; and – monitoring regulatory timetables and maintaining regular dialogue with licensees to anticipate and manage delays proactively, where necessary.
Competition Competition of pharmaceutical products and devices.	– product innovation; – diversification of our product portfolio; and – maintaining a broad range of distribution channels, partners, and geographies.
Intellectual Property Intellectual Property (IP) infringement and protection for AFT products.	– taking actions to protect our IP, including filing patent applications, and entry into confidentiality agreements with licensees, suppliers, and employees to protect trade secrets; – undertaking extensive "freedom to operate" reviews before we make our IP applications to ensure that they do not infringe any other IP and are protectable; and – regularly monitoring pharmaceutical patent registrations.
Third Parties Reliance on third parties for the manufacture, distribution, and licensing of AFT products	– using multiple manufacturers where possible for our key products; – operating an inventory policy of holding a minimum of three months' inventory to minimise interruption of supply; – being selective in our choice of distribution and licensing partners and having performance obligations in our commercial agreements. – requiring all suppliers to attest to compliance with our Supplier Code of Conduct and our Modern Slavery Policy, which together require third party suppliers to foster and encourage respect for Human & Labour Rights, Ethical Business Practices, Environmental Responsibility, Product and Service Quality and Safety. They also require suppliers to report on any ethical sourcing risks, including Modern Slavery risks, in their supply chains.
Product Liability Product liability and risks associated with marketing drugs and conducting clinical trials.	– having adopted compliance and regulatory systems to monitor our compliance with applicable laws and regulations; – manufacturing products in compliance with Good Manufacturing Practice and other relevant regulatory requirements, including supplying products for use only with approved Certificates of Analysis; – maintaining and regularly reviewing a register of known adverse events; – focusing on novel dose forms, combinations, and delivery systems of approved drugs, meaning clinical trial risks are relatively low; – contracting out clinical trials to specialists; – implementing a comprehensive product, clinical trial, and contamination insurance programme; and – ensuring that product labelling declares reported risks and adverse events are incorporated in the product package insert, in accordance with licensors' advice, and local regulatory accepted rules and labels.

Risk	AFT mitigates this risk by:
Growth Strategy Failure to execute growth strategy.	– adopting expansion strategies that are scalable and are not capital intensive, for example using out-licensing and distributor arrangements outside of Australia and New Zealand; and – closely monitoring our personnel, internal company structures and systems to ensure they remain appropriate to support our growth plans; and – regular review and close monitoring of progress of growth strategies against business plans and targets.
Capital Management	– closely monitoring forecasts, cash flows and our financial covenants to ensure they are not breached; – actively monitoring key revenue growth plans; – managing the mix of equity capital and borrowings; and – maintaining an active investor relations program should a further equity raise be considered.
Key Personnel Loss	– succession planning and promoting a culture of diversity and inclusion; – adopting a competitive remuneration policy designed to assist us in retaining key personnel; and – carefully selecting our personnel to try to ensure that they fit with our culture and growth plans.
Health and Safety Risks	– adopting a Health and Safety Policy and monitoring performance against it. The Board and management are committed to promoting a safe and healthy working environment for everyone working in/or interacting with AFT's business. The Health and Safety Policy requires AFT people to endeavour to take all practicable steps to provide a working environment that promotes health and wellbeing, while minimising the potential for risk, personal injury, ill health, or damage; – agreeing a detailed (Board-approved) programme of work, which aims to ensure AFT remains compliant with its health and safety obligations. The Board is updated on health and safety (including wellness) matters and metrics at each Board meeting and there is a detailed review on health and safety risks each quarter; and – operating an employee-led Health and Safety Committee. The committee meets regularly to monitor and manage health and safety risks, including hazards, within the business, and inform Board reporting. Further detail on the Company's management of health and safety risks is covered on page 34 of this report.
Cyber Risk	– maintaining robust systems and processes to support our information and communication technology (ICT) system security; – commissioning regular independent reviews of our ICT systems; – maintaining and regularly reviewing business continuity and disaster recovery plans and systems; and – promoting a culture of cybersecurity in the organisation through regular training; and communication.
Climate Change Risk	– embedding oversight and management of climate related risks within the Board Charter and the incorporation programmes to manage these risks into The Company's strategy. This has seen the formation of a standing management-led working group, the Climate Governance Working Group, which is charged with assessing and manages the company's climate related risks and opportunities and updating the Board quarterly on its activities. – transparently reporting for the first time its approach and strategies to identify monitor and managing climate related risks and opportunities within its supply chain alongside metrics and targets to measure and manage these matters. – further detail is covered in the Climate Related Disclosures in Appendix 1 on pages 108 to 120 of this report.

PRINCIPLE 7:

Auditors

"The Board should ensure the quality and independence of the external audit process."

External Auditor Independence

(Recommendation 7.1)

AFT has adopted an Audit Independence Policy that requires, and sets out the criteria for, the external auditors to be independent. The Policy recognises the importance of facilitating frank dialogue between the Audit and Risk Committee, the auditor and management.

The Policy prescribes the services that can and cannot be undertaken by the external auditors, which are designed to ensure that services provided by AFT's external auditors do not conflict, and are not perceived as conflicting, with their independent role.

The Policy also requires that the key audit partner be changed at least every five years so that no person shall be engaged in an audit of AFT for more than five consecutive years. AFT engaged a new audit firm in February 2018 and in accordance with this Policy and in accordance with NZX Listing Rule 2.13.3 rotated to a new audit partner for the year to 31 March 2023.

The Audit and Risk Committee Charter requires the Committee to facilitate the continuing independence of the external auditor by assessing the external auditor's independence and qualifications and overseeing and monitoring its performance.

This involves monitoring all aspects of the external audit, including the appointment of the auditor, the nature and scope of its audit, and reviewing the auditor's service delivery plan.

In carrying out these responsibilities the Audit and Risk Committee meets regularly with the auditor without Executive Directors or management present.

The auditor is restricted in the non-audit work it may perform, as detailed in the Auditor Independence Policy. In the last financial year, the audit firm has undertaken specific non-audit work. Details of this work are covered on page 86 of this report.

None of that non-audit work is considered to have compromised (or been seen to have compromised) the independence of the auditor. For further details on the audit and non-audit fees paid and work undertaken during the period, refer to page 86 in the Financial Statements of this report.

The Audit and Risk Committee regularly monitors the ratio of fees for audit to non-audit work.

Internal Audit Function

(Recommendation 7.3)

AFT does not have a dedicated internal auditor. Instead, internal controls are managed on a day-to-day basis by the finance team. Compliance with internal controls is reviewed annually by AFT's auditors who provide feedback on AFT's control environment, which is reviewed by the finance team and Board.

The Board and finance team regularly consider how AFT can improve its internal audit and risk management practices during AFT's annual governance review, bi-annual risk reviews, preparation of interim and full-year financial statements and following AFT's annual audit.

PRINCIPLE 8:

Shareholder Rights and Relations

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Information for Shareholders

(Recommendation 8.1, 8.2)

AFT is committed to maintaining a full and open dialogue with its shareholders (and other interested stakeholders). The Company has in place an investor relations programme to facilitate effective two-way communication with shareholders.

The aim of the Company's communication programme is to ensure fair recognition of the value the company creates, provide stakeholders with information to help them accurately assess the company's performance and prospects. It also seeks to enable shareholders to active engage with the Company and exercise their rights in an informed manner.

The Company facilitates communication with shareholders through written and electronic communication, and by facilitating shareholder access to Directors, Management, and the Company's auditors.

The Company provides shareholders with communication through the following channels:

- the Investor Centre on the Company's website;
- full-year and half-year results and/or reports;
- the Annual Shareholders Meeting;
- regular disclosures on Company performance and news via the NZX and ASX online disclosure platforms; and
- disclosure of presentations provided to analysts, investors, and the media during regular briefings.

The Company's website is an important part of the Company's communication programme. Included on the website is a range of information relevant to shareholders and others concerning the financial position, operation, and governance of the Company, including information about the Company and its history, biographies of the Company's Directors and senior management, the Company's Constitution, Board Charter (and the charters of the various committees) and other corporate governance policies of the Company.

Shareholders may, at any time, direct questions, or requests for information to Directors or management through the Company's website or by sending an email to: investor.relations@aftpharm.com

The Company provides shareholders with the option to receive communications from, and send communications to, the Company and its share registrar electronically. A majority of AFT's shareholders have elected to receive electronic communications.

Shareholder Voting Rights

(Recommendation 8.3)

In accordance with the Companies Act 1993, AFT's Constitution and the NZX Listing Rules, AFT refers major decisions which may change the nature of AFT to shareholders for approval.

In the financial year ended 31 March 2024, there were no such transactions requiring shareholders' approval under the Companies Act 1993, AFT's Constitution and/or the NZX Listing Rules.

As required by the NZX Listing Rules, AFT conducts voting at its shareholder meetings by way of polls, reflecting the principle of one share, one vote. Further information on shareholder voting rights is set out in AFT's Constitution.

Annual Shareholders Meeting

(Recommendation 7.2, 8.2, 8.5)

AFT's 2024 Annual Shareholders Meeting is currently intended to be held in early August 2024. Shareholders will be given an opportunity to participate, vote and ask questions and comment.

In addition, the Company's auditors, Deloitte Limited, will be available to answer any questions about their audit report. A Notice of Meeting will be posted on AFT's website as soon as possible and will be posted at least 20 working days prior to the meeting.

REMUNERATION

Remuneration

AFT Pharmaceuticals remuneration policies are targeted at supporting the company to attract, retain and motivate high calibre people to achieve AFT Pharmaceuticals' business objectives and create shareholder value. They are guided by the principles that remuneration practice should:

- be clearly aligned with AFT Pharmaceuticals' values, culture, risk appetite and corporate strategy;
- support the attraction, retention, and engagement of employees;
- be understood by employees;
- be equitable and flexible;
- appropriately reflect market conditions and organisational context;
- recognise individual performance and competency, rewarding individuals for achieving high performance; and
- recognise team and company performance and the creation of shareholder value.

In 2024, in line with the NZX's new guidance on remuneration disclosure, we have updated how we report remuneration and consolidated it in this standalone section of this Annual Report.

We believe this new approach of reporting on our remuneration and outcomes, alongside disclosure of the remuneration of Directors during the 2024 financial year is aligned with our commitments to transparency. We also believe it fosters greater understanding among our investors and other stakeholders on our approach to remuneration.

Remuneration Governance

AFT's policies regarding the remuneration of Directors and its people are set out in the Board Charter and the company's Remuneration Policy, both of which is available on the Investor Centre on the company's website. There have been no changes to the Company's approach to remuneration during the period.

As detailed in the Board Committee Section (pages 53 to 54 of this report), the governance arrangements relating to remuneration are overseen by the Board's Remuneration and Nominations Committee.

Director Remuneration

Non-Executive Director Remuneration

The current maximum total monetary sum permitted to be paid by the Company by way of Non-Executive Directors' fees is $575,000 per annum. This sum has not been increased since it was approved by shareholders in 2015.

Non-Executive Directors' fees were last reviewed in May 2023 and are detailed in the table below. Committee fees are payable to Non-Executive Directors, as detailed in the table below. Non-Executive Directors' fees are still within the $575,000 per annum limit noted above.

Directors may hold shares in the Company, the details of which are set out in the statutory information section on page 105 of this report. It is the Company's policy to encourage Directors to hold shares in the Company.

The Non-Executive Directors are entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings or otherwise in connection with AFT's business. No retirement allowances will be paid to the Non-Executive Directors on their retirement.

The current approved fixed annual fees payable to Non-Executive Directors are detailed in the table on page 64.

Governance body	Position	Fees per annum	
Period to the March		**2024[1,2]**	**2023**
Board of Directors	Chair Director	$142,000 $77,000[3]	$127,500 $70,000
Audit and Risk Committee	Committee Chair Committee Member	$20.000 $6,000	$20,000 $5,000
Remuneration and Nominations Committee	Committee Chair Committee Member	$7,500 $6,000[4]	$7,500 $5000
Regulatory and Product Development Oversight Committee	Committee Chair Committee Member	$15,000[5] $6,000	$15,000 $5000

1 Effective April 2023
2 All fees are paid in NZD unless stated.
3 Fee payable to non-United States (US) based Directors. US-based Directors receive USD$77,000.
4 Fee payable to non-US based Directors. US based Directors receive USD$6,000.
5 Fee payable to non-US based Directors. US based Directors receive USD$15,000.

Non-Executive Directors received the following Directors' fees, remuneration and other benefits from the Company in the financial year ended 31 March 2024:

Non-Executive Director	Anita Baldauf	David Flacks	Dr Ted Witek[2]	Andrew Lane[3]	Jon Lamb[3]
Non-Executive Director Board fees	$77,000	$142,000	$126,530	$38,500	38,500
Audit and Risk Committee fees	$6,000	$6,000	-	$10,000	$10,000
Remuneration and Nomination Committee fees	-	$6,000	$9,859	$1,875	$3,750
Regulatory and Product Development Oversight Committee fees	-	-	$24,649	-	-
Shares and other payments or benefits	-	-	-	-	-
Total remuneration[1]	**$83,000**	**$154,000**	**$161,038**	**$50,375**	**$52,250**

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

2 Fees disclosed in NZD. Dr Ted Witek received fees paid in USD. These fees have been converted into NZD in the above table, calculated at an exchange rate of 1:0.6086

3 Jon Lamb retired from the Board on 28 September 2023 and was replaced on the same day by Andrew Lane

Executive Director remuneration

The remuneration of the Executive Directors – Managing Director and Chief Executive Officer Hartley Atkinson and Executive Director and Chief of Staff Marree Atkinson is covered in the 'Senior Executive Remuneration' section on page 66.

Senior Executive Remuneration

Remuneration Policy

AFT has a formal Remuneration Policy, the purpose of which is to outline the remuneration principles that apply to all employees to ensure that remuneration practices within AFT are fair and appropriate for the organisation and its Directors and employees.

AFT's Remuneration Policy supports the Company to attract, retain and motivate high-calibre people to achieve the Company's business objectives and create shareholder value. The Remuneration Policy is available in the Investor Centre on the Company's website.

Under AFT's remuneration framework, remuneration paid to the Chief Executive Officer and Senior Officers includes a mix of the following fixed and variable components:

- Fixed remuneration, which includes base salary and employer KiwiSaver (or overseas equivalent) contributions (where relevant) and relates to the base requirements of the role.
- A discretionary Short-Term Incentive (STI) may be offered to some employees, at the discretion of the CEO (or be offered to the CEO and/or Chief of Staff, at the discretion of the Board). AFT's short-term incentive is performance based, with any short-term incentive plan payment being conditional on satisfaction of pre-determined Company and individual performance objectives.
- Potential short-term incentive payments are generally between 10% to 30% of base salary, depending on seniority and role, and this increases to 75% for the Chief Executive Officer.
- A Long-Term Incentive (LTI) Plan may be offered, generally only to permanent senior management, as approved by the Board. AFT currently operates an option scheme. This is designed to attract and retain senior managers within the business and to align the interests of management with shareholders' interests.
- Under the LTI Plan, participants are granted options to acquire ordinary shares in AFT. One option will give the participant the right to subscribe for (or otherwise purchase) one ordinary share, subject to meeting any vesting conditions set by the Board and payment of the exercise price. The Board has an absolute discretion to invite employees to participate in the LTI Plan and to set the terms and conditions of options at the time they are granted.

The maximum aggregate number of options that may be granted under the LTI Plan is 5% of the total number of ordinary AFT shares on issue immediately after the issue of options, unless shareholder approval is obtained. With respect to AFT's LTI Plan, no Director or employee is permitted to enter into financial products or arrangements that operate to limit the economic risk of their vested or unvested entitlements.

In addition, AFT may offer provisions that have a monetary benefit to employees but are not considered part of remuneration.

Each year an internal review against our public company peers is carried out to benchmark salaries with market increases and adjustments are made accordingly.

The Remuneration and Nominations Committee is responsible for reviewing the remuneration of the Company's senior executives in consultation with the CEO. The Company's senior executives are subject to regular performance reviews.

The performance of senior executives is reviewed by the CEO who meets with each senior executive to discuss their performance, as measured against key performance targets (both financial and non-financial) previously established and agreed with that executive.

During the financial year ended 31 March 2024, performance reviews took place in accordance with this process.

Chief Executive and Chief of Staff Remuneration

The Executive Directors, Hartley Atkinson and Marree Atkinson, receive remuneration and other benefits in their respective executive roles as CEO and Chief of Staff and, accordingly, do not receive Directors' fees.

Their remuneration packages are set by the Board to reflect the scope and complexity of each role, with reference to comparative market data. The executive Directors' performance is reviewed by the Board annually. During the financial year ended 31 March 2024, performance reviews took place in accordance with that process. No termination payments are payable to the executive Directors in the event of serious misconduct.

During the financial year ended 31 March 2024, Hartley Atkinson, and Marree Atkinson's remuneration both comprised a fixed cash component and an at-risk short-term incentive. The breakdown of the short-term incentive and the performance hurdles required to achieve them are set out below. Neither Executive Director was issued any form of long-term incentive during the financial period.

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

Base salary		Taxable benefits		Short-term incentive[1]		Long-term incentive[2]		Total remuneration	
FY2024	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	FY2023
Dr Hartley Atkinson									
$670,000	$606,375	-	-	$304,785	$324,844	-	-	$974,785	$931,219
Maree Atkinson									
$161,250	$150,000	-	-	$14,188	$10,920	-	-	$175,438	$160,920

1 The short-term incentives (STI) paid in each year was earned in the prior year and paid in the year stated. The short-term incentive for the FY2024 year has not been finalised.

2 Neither Executive Director was issued any form of long-term incentive during the financial period.

Executive Director remuneration, including short-term performance incentives, is set with reference to the company's strategic objectives and the factors material to delivering on those objectives

For Hartley Atkinson these objectives include:

- company revenue and profit targets;
- key innovative product development; and
- key product registration and licensing.

For Maree Atkinson these objectives include:

- company revenue and profit targets;
- human resources objectives; and
- overhead cost savings.

Employee Remuneration

The table below sets out the number of employees or former employees of AFT and its subsidiaries, not being Directors of AFT, who, in their capacity as employees received remuneration and other benefits during the financial year ended 31 March 2024 totalling at least $100,000 per annum. The remuneration of those employees paid outside of New Zealand has been converted into New Zealand dollars.

The table includes base salaries and short-term incentives paid during the financial year ended 31 March 2024 and long-term incentives vested or exercised during the financial year ended 31 March 2024. The table does not include long-term incentives that have been granted, but which have not yet been vested.

Where the individual is a KiwiSaver member, contributions of 3% of gross earnings towards that individual's KiwiSaver scheme are included in the table. Where the individual works in Australia, contributions of 9.5% of gross earnings towards Australian Superannuation are included in the table.

Remuneration range (NZD)	Total number of employees
100000 - 110000	23
110001 - 120000	8
120001 - 130000	6
130001 - 140000	4
140001 - 150000	1
150001 - 160000	2
170001 - 180000	1
180001 - 190000	1
190001 - 200000	4
200001 - 210000	2
210001 - 220000	1
270001 - 280000	1
310001 - 320000	1
340001 - 350000	1
470001 - 480000	1
Total employees and former employees earning more than $100k	**57**

Employee Long-Term Incentive Scheme

At 30 April 2024 AFT had issued 510,000 options with an exercise price of $3.46 as part of the company's Long-Term Incentive scheme (LTI). Certain of the Options vest (and therefore become available for exercise) over one or more minimum vesting periods, the details of which are particular to each Option holder (during which time the Option holder must remain employed by the Company).

Vesting of some of the Options is also conditional on one or more performance hurdles, specific to the Option holder (such as the Option holder meeting their budget for a particular year), being met. However key objectives include:

- Meeting their budget for the financial year and being employed by the company.
- The CEO's assessment of a person's overall individual performance.

The Options have a final exercise date of the date four years and two months from the Grant Date of the Options.

AFT Pharmaceuticals Limited

CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 March 2024

Deloitte.

Independent Auditor's Report

To the Shareholders of AFT Pharmaceuticals Limited

Opinion

We have audited the consolidated financial statements of AFT Pharmaceuticals Limited and its subsidiaries (the 'Group'), which comprise the consolidated balance sheet as at 31 March 2024, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements, on pages 73 to 103, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2024, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to IFRS Accounting Standards ('NZ IFRS') as issued by the External Reporting Board and IFRS Accounting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis for opinion

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

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

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

Other than in our capacity as auditor, we have no relationship with or interests in the Company or any of its subsidiaries.

Audit materiality

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

We determined materiality for the Group financial statements as a whole to be $1.6 million.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Recoverability of Pascomer Intellectual Property As disclosed in Note 12, the Group has intellectual property with a carrying value of $12.5m as well as capitalised development costs of $2.8m in relation to the Pascomer product at 31 March 2024. The recoverability of the intellectual property associated with the Pascomer product depends upon successful clinical trials and registration. The recoverable amount is determined based on a fair value less costs of disposal methodology, using a risk adjusted net present value model (the 'valuation'). The model reflects key assumptions regarding the development and marketing of the product. The valuation methodology uses significant inputs which are not based on observable market data. Fair value less costs of disposal was determined by an independent valuer. We identified this as a key audit matter because of the significance of the intellectual property to the Group's consolidated financial statements, the judgement involved in determining the recoverable amount of the intellectual property, and the consideration arising from the High Court judgement as well the subsequent appeal thereon as disclosed in Note 3.	We evaluated the Group's recoverable amount assessment for the Pascomer intellectual property. In performing our procedures, we: • Obtained an understanding of the relevant controls over the valuation process including controls around the methodology adopted, the data used and the setting of key assumptions. • Assessed the independence, objectivity and competence of the valuer engaged by the Group. • Challenged the key assumptions in the valuation by: – Considering the timing of when successful clinical trials may be completed and the product registered by understanding the milestones achieved to date and the Group's progress against plans. – Challenging the addressable market assumptions. – Evaluating and challenging the Group's assessment of changes in key assumptions in the period since the last independent valuation. – Working with our internal valuation specialist to assess whether the valuation method and discount rate assumptions applied were appropriate. • Assessed the sensitivity of the valuation to changes in key assumptions. • Inquired with and inspected correspondence from the Group's external legal counsel to understand the status of the legal claim disclosed in Note 3, and its potential impact on the recoverable amount of the Intellectual property.

Other information

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

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

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

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

This description forms part of our auditor's report.

Restriction on use

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

Deloitte Limited

Bryce Henderson, Partner

for Deloitte Limited

Auckland, New Zealand

23 May 2024

Consolidated Income Statement

For the Year Ended 31 March 2024

	Note	2024 $'000	2023 $'000
Revenue	4	195,411	156,641
Cost of sales		(107,139)	(83,658)
Gross profit		**88,272**	**72,983**
Other Income		528	-
Selling and distribution expenses		(45,256)	(36,543)
General and administrative expenses		(11,215)	(11,123)
Research and development expenses		(8,094)	(5,648)
Operating profit		**24,235**	**19,669**
Finance income		66	13
Interest costs	7	(3,686)	(2,873)
Other finance gain / (loss)	7	1,404	(1,010)
Profit before tax		**22,019**	**15,799**
Income tax expense	13	(6,410)	(5,145)
Net Income		**15,609**	**10,654**
Profit after tax attributable to owners of the parent		**15,609**	**10,654**
Earnings per share			
Basic and diluted earnings per share ($)	18	$0.15	$0.10

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

Consolidated Statement of Comprehensive Income

For the Year Ended 31 March 2024

	Note	2024 $'000	2023 $'000
Profit after tax		**15,609**	**10,654**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Foreign exchange difference on translation of foreign operations		(67)	(168)
Other comprehensive loss for the year, net of tax		**(67)**	**(168)**
Total comprehensive income		**15,542**	**10,486**

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 March 2024

	Note	Share capital $'000	Share options reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Balance 31 March 2022		**77,606**	**160**	**394**	**(15,852)**	**62,308**
31 March 2023						
Profit after tax		-	-	-	10,654	10,654
Other comprehensive income		-	-	(168)	-	(168)
Total comprehensive income		**-**	**-**	**(168)**	**10,654**	**10,486**
Issue of share capital	17,20	634	(161)	-	-	473
Movement in share options reserve		-	1	-	-	1
Balance 31 March 2023		**78,240**	**-**	**226**	**(5,198)**	**73,268**
31 March 2024						
Profit after tax		-	-	-	15,609	15,609
Other comprehensive income		-	-	(67)	-	(67)
Total comprehensive income		-	-	**(67)**	**15,609**	**15,542**
Movement in share options reserve		-	139	-	-	139
Dividends paid		-	-	-	(1,154)	(1,154)
Balance 31 March 2024		**78,240**	**139**	**159**	**9,257**	**87,795**

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

Consolidated Balance Sheet

As at 31 March 2024

	Note	2024 $'000	2023 $'000
ASSETS			
Current assets			
Inventories	10	49,057	42,397
Trade and other receivables	9	44,222	46,718
Cash and cash equivalents		12,040	4,749
Derivative assets	23	408	736
Total current assets		**105,727**	**94,600**
Non-current assets			
Property, plant and equipment	11	363	450
Intangible assets	12	53,459	45,627
Right of use assets	11	3,458	2,915
Deferred tax	13	2,250	4,471
Total non-current assets		**59,530**	**53,463**
Total assets		**165,257**	**148,063**
LIABILITIES			
Current liabilities			
Trade and other payables	15	34,140	31,658
Provisions	16	7,331	4,147
Lease liabilities	14	796	571
Current income tax liability		3,801	834
Derivative liabilities	23	-	107
Interest bearing liabilities	14	-	2,458
Total current liabilities		**46,068**	**39,775**
Non-current liabilities			
Lease liabilities	14	3,194	2,820
Interest bearing liabilities	14	28,200	32,200
Total non-current liabilities		**31,394**	**35,020**
Total liabilities		**77,462**	**74,795**
EQUITY			
Share capital	17	78,240	78,240
Retained earnings/(losses)		9,257	(5,198)
Share options reserve	20	139	-
Foreign currency translation reserve		159	226
Total equity		**87,795**	**73,268**
Total liabilities and equity		**165,257**	**148,063**

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

On behalf of the Board on 23 May 2024

David Flacks
Chair

Dr Hartley Atkinson
Founder and Chief Executive Officer

Consolidated Statement of Cash Flows

For the Year Ended 31 March 2024

	2024 $'000	2023 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	194,552	146,801
Payments to suppliers and employees	(164,469)	(133,836)
Tax paid	(1,222)	(1,336)
Net cash generated from operating activities	**28,861**	**11,629**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(116)	(197)
Purchase of intangible assets	(9,411)	(8,980)
Net cash used in investing activities	**(9,527)**	**(9,177)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	475
Dividends paid	(1,154)	-
Payment for lease liabilities	(859)	(593)
Borrowings repaid	(5,000)	(4,000)
Interest received	66	13
Interest paid on lease liabilities	(307)	(235)
Interest costs paid on borrowings	(3,379)	(2,638)
Net cash used in financing activities	**(10,633)**	**(6,978)**
Net increase/(decrease) in cash	8,701	(4,526)
Impact of foreign exchange on cash and cash equivalents	48	(123)
Opening cash and cash equivalents	3,291	7,940
Closing cash and cash equivalents	**12,040**	**3,291**
Made up of:		
Cash and cash equivalents	12,040	4,749
BNZ overdraft	-	(1,458)
	12,040	**3,291**

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

Reconciliation of Profit After Tax with Net Cash Flow From Operating Activities

	2024 $'000	2023 $'000
Profit after tax	**15,609**	**10,654**
Non-cash items and items classified as financing activities		
Depreciation	201	170
Depreciation ROU assets	802	638
Amortisation	1,010	916
Intangible disposals	569	530
Share options expense	139	-
Interest on lease liabilities	307	235
Interest and finance expense	3,380	2,638
Unrealised (gain)/loss on foreign currency movements	220	(934)
Provision for tax expense	5,188	3,742
Interest received	(66)	(13)
Movement in working capital		
(Increase)/decrease in inventories	(6,660)	(8,897)
(Increase)/decrease in trade and other receivables	2,496	(10,716)
Increase/(decrease) in trade and other payables, provisions	5,666	12,666
Net cash generated from operating activities	**28,861**	**11,629**

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

Notes to the Financial Statements

For The Year Ended 31 March 2024

1. Reporting Entity

AFT Pharmaceuticals Ltd (the “Company” or “Parent”) together with its subsidiaries (the “Group”) is a pharmaceutical distributor and developer of pharmaceutical intellectual property. The Company is incorporated and domiciled in New Zealand, it is registered under the Companies Act 1993. The address of the Company’s registered office is 129 Hurstmere Road, Takapuna, New Zealand.

The Company is an FMC reporting entity under the Financial Markets Conduct Act 2013 and is listed on both the NZX and ASX.

These consolidated financial statements were approved for issue by the Board of Directors on 23 May 2024.

2. Basis of Preparation and Principles of Consolidation

Statement of compliance

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

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to IFRS Accounting 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 IFRS Accounting Standards (‘IFRS’).

Basis of accounting

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and/or other comprehensive income.

Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars (NZD), which is the Company’s functional currency rounded to the nearest thousand dollars unless otherwise stated. Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions and balances

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

- Monetary assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions, and
- Exchange differences arising are recognised in other comprehensive income and accumulated in equity.
- Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at the balance date and the results of all subsidiaries for the year then ended.

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

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

Critical accounting estimates and judgements

In applying the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates are disclosed in each of the applicable notes to the financial statements and are designated with an E symbol.

Material accounting policy information

Material accounting policies are disclosed in each of the applicable notes to the financial statements and are designated with an AP symbol. All mandatory amendments have been adopted in the current year. None had a material impact on these financial statements.

Standards and interpretations in issue not yet effective

At the date of authorisation of these financial statements, the Group has not applied new and revised NZ IFRS standards and amendments that have been issued but are not yet effective. It is not expected that the adoption of these standards and amendments will have a material impact on the financial statements of the Group.

In April 2024, the International Accounting Standards Board introduced IFRS 18 Presentation and Disclosure in Financial Statements (effective for reporting periods beginning on or after 1 January 2027). This standard replaces IAS 1 Presentation of Financial Statements. An equivalent NZ IFRS has not yet been issued. Management are still assessing the impact and note this may change the presentation of primary statements.

Goods and Services Tax (GST)

The income statement and the statement of comprehensive income have been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of accounts receivable and payable, which include GST invoiced. All components of the statement of cash flows are stated exclusive of GST.

3. Significant Transactions and Events in the Financial Year

The High Court of Auckland made judgement in late August 2023 in the case brought against the company by a former contractor to the Company, PBL Solutions Limited (PBL), in Southeast Asia. The substance of the claim was that AFT Orphan Pharmaceuticals Limited ("AFTO" of which PBL is a 35% shareholder) rather than the Company (which owns the remaining 65%), should have had the opportunity to pursue the Pascomer drug development opportunity. The High Court dismissed PBL's claim for a lump sum payment for an assessed present value of PBL's claimed 35% proportionate share of future profits attributable to the Pascomer opportunity. The Court found that AFT owed PBL a fiduciary duty in the context of evaluating the Pascomer opportunity and that AFT breached that duty but had not acted dishonestly. The Court has held that PBL is entitled to an account of a 35% share of the profits which are in future made by AFT from Pascomer for orphan or orphan-like opportunities only. Any profit is to be assessed after making allowance for AFT's costs and expenses and direct labour costs in relation to development of the Pascomer opportunity and for use of AFT's proprietary Crystaderm® technology in Pascomer. AFT is not required to account to PBL for any profit which AFT may earn from the application of Pascomer for treatment of non-orphan conditions such as Port Wine Stain (PWS). PBL has appealed this aspect of the judgement. This has been set down to be heard in February 2025. The group has reviewed the possible impact on the carrying value of the Pascomer IP as detailed in the Intangible Assets note 12.

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

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

4. Revenue from Operations

	2024 $'000	2023 $'000
Sale of goods	185,495	154,947
Royalty income	1,377	821
Licensing Income	8,539	873
Total revenue from operations	**195,411**	**156,641**

AP E

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties:

- The sale of goods, excluding GST and discounts are recognised when control of the product is transferred to the customer at a point in time. For discounts not invoiced at reporting date, these are estimated based on agreements with customer and estimated depletions during the period.
- Licensing income, the Group has entered into a number of out-licencing contracts whereby the Group's obligations are the provision of territorial rights to the company's intellectual property and the provision and support of the documentation required to enable registration of the product in the territory. The Group typically receives an upfront fee, milestone payments for specific registration and/or development-based outcomes, and sales-based milestones or royalties as consideration for the license. Licenses coupled with other services, must be assessed to determine if the license is distinct (that is, the customer must be able to benefit from the IP on its own or together with other resources that are readily available to the customer, and the Group's promise to transfer the IP must be separately identifiable from other promises in the contract). If the license is not distinct, then the license is combined with other goods or services into a single performance obligation. Revenue is then recognised as the Group satisfies the combined performance obligation.

  A license will either provide:

  - A right to access the entity's intellectual property throughout the license period, which results in revenue that is recognised over time;

    or

  - A right to use the entity's intellectual property as it exists at the point in time in which the license is granted, which results in revenue that is recognised at a point in time. For sales- or usage-based royalties that are attributable to a license of IP, the amount is recognized at the later of:
    - when the subsequent sale or usage occurs; and
    - the satisfaction or partial satisfaction of the performance obligation to which some or all of the sales- or usage-based royalty has been allocated.
- Royalties Royalty revenue is recognised on an actual and accrual basis in accordance with the substance of the relevant agreement provided that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably.

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

5. Joint Operations

Hyloris Pharmaceuticals SA and AFT have been collaborating in the development of the Maxigesic IV product. AFT has now licensed the product to a number of partners covering multiple countries. Maxigesic IV is protected by several granted and pending patent applications. Under the terms of the development collaboration agreement between Hyloris and AFT, Hyloris is eligible to receive a share on any product related revenues, such as license fees, royalties, milestone payments, received by AFT. The arrangement constitutes a joint operation whereby the Group recognises, in relation to its interest in the joint operation, its share of assets and liabilities in the consolidated statement of financial position and share of revenue earned and expenses incurred in the consolidated income statement. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in the joint operation in accordance with the NZ IFRS standards applicable to the particular assets, liabilities, revenues and expenses.

AP

Interests in joint operations
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

6. Segment Reporting

	Operating Segments					
	Australia $'000	**New Zealand $'000**	**Asia $'000**	**Rest of World $'000**	**Head Office $'000**	**Total $'000**
31 March 2024						
Revenue - Sale of goods	108,209	48,719	10,023	18,544	-	185,495
Revenue - Royalties	-	-	671	706	-	1,377
Revenue - Licensing	-	-	-	8,539	-	8,539
Total revenue	**108,209**	**48,719**	**10,694**	**27,789**	**-**	**195,411**
Other income	-	-	-	528	-	528
Depreciation - ROU assets	483	57	-	-	262	802
Depreciation - Other	15	-	-	-	186	201
Amortisation	-	-	-	1,010	-	1,010
Operating profit / (loss)	**15,510**	**7,277**	**2,504**	**8,555**	**(9,611)**	**24,235**
Finance income	1	-	-	-	65	66
Interest expense - Loans	-	-	-	-	(3,379)	(3,379)
Interest expense - Lease liabilities	(112)	(9)	-	-	(186)	(307)
Other finance gains/(losses)	-	-	-	-	1,404	1,404
Profit / (loss) before tax	**15,399**	**7,268**	**2,504**	**8,555**	**(11,707)**	**22,019**
Total assets	**53,587**	**51,099**	**3**	**55,905**	**4,663**	**165,257**
ROU assets	1,292	88	-	-	2,078	3,458
Property plant and equipment	25	-	-	3	335	363
Pascomer IP	-	-	-	12,500	-	12,500
Other intangible assets	-	-	-	40,959	-	40,959
Total liabilities	**12,559**	**29,510**	**2**	**820**	**34,571**	**77,462**
Capital expenditure *	**1**	**-**	**2**	**9,414**	**111**	**8,528**

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

	Operating Segments					
	*Australia $'000	*New Zealand $'000	*Asia $'000	*Rest of World $'000	*Head Office $'000	Total $'000
31 March 2023						
Revenue - Sale of goods	94,117	44,027	6,814	9,989	-	154,947
Revenue - Royalties	-	-	-	821	-	821
Revenue - Licensing	-	-	-	873	-	873
Total revenue	**94,117**	**44,027**	**6,814**	**11,683**	**-**	**156,641**
Other income	-	-	-	-		-
Depreciation - ROU assets	370	51	-	-	217	638
Depreciation - Other	24	-	-	-	146	170
Amortisation	-	-	-	916	-	916
Operating profit / (loss)	**19,291**	**8,319**	**773**	**445**	**(9,159)**	**19,669**
Finance income	-	-	-	-	13	13
Interest expense - Loans	(56)	-	(87)	-	(2,495)	(2,638)
Interest expense - Lease liabilities	(55)	(9)	-	-	(171)	(235)
Other finance gains/(losses)	17	-	-	-	(1,027)	(1,010)
Profit/(loss) before tax	**19,197**	**8.310**	**686**	**445**	**(12,839)**	**15,799**
Total assets	**53,878**	**41,500**	**3**	**45,627**	**7,055**	**148,063**
ROU assets	865	108	-	-	1,942	2,915
Property plant and equipment	38	-	-	-	412	450
Pascomer IP	-	-	-	12,500	-	12,500
Other intangible assets	-	-	-	33,127	-	33,127
Total liabilities	**8,679**	**27,056**	**5**	**-**	**39,055**	**74,795**
Capital expenditure	**11**	**-**	**-**	**8,980**	**186**	**9,177**

Capital expenditure includes both intangible and tangible asset additions.

*** Restatement of segment note**

The structure of the segment note has been updated to reflect enhanced internal business reporting and the comparative segment notes have been restated to reflect this change. Head office costs that were previously reported within the NZ operating segment are now separately disclosed under the Head Office column as these costs support all operating segments. Head office functions include maintaining all supplier relationships, procurement of inventory, regulatory activity, governance marketing activity and finance activity. No other segments have been changed. Total assets and Capital expenditure for Rest of World have been restated to reflect the fact that this segment manages intangible assets and incurred capital expenditure.

The below items were previously reported under the New Zealand Segment, the table below shows the restatement into the new operating segment.

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

	Australia *as previously reported $'000	New Zealand *as previously reported $'000	Asia *as previously reported $'000	Rest of World *as previously reported $'000	Australia *restated $'000	New Zealand *restated $'000	Asia *restated $'000	Rest of World *restated $'000	Head Office $'000
Depreciation - ROU assets	370	268	-	-	370	51	-	-	217
Depreciation - other	24	146	-	-	24	-	-	-	146
Operating profit	19,291	(840)	773	445	19,291	8,319	773	445	(9,159)
Finance income	-	13		-	-	-	-	-	13
Interest expense - loans	(56)	(2,495)	(87)	-	(56)	-	(87)	-	(2,495)
Interest expense - lease liabilities	(55)	(180)		-	(55)	(9)	-	-	(171)
Other finance gains / (losses)	17	(1,027)		-	17	-	-	-	(1,027)
Profit/(loss) before tax	19,197	(4,529)	686	445	19,197	8,310	686	445	(12,839)
Total assets	51,423	83,635	3	13,002	53,878	41,500	3	45,627	7,055
ROU assets	865	2,050	-	-	865	108	-	-	1,942
Property plant and equipment	38	412	-	-	38	-	-	-	412
Total liabilities	60,209	11,376	2,530	680	8,679	27,056	5	-	39,055
Capital expenditure	11	9,166	-	-	11	-	-	8,980	186

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. Management report on operating segments net of intersegment revenue so that the revenue amount reflects the end customer's reportable geography. Inter-segment transactions are eliminated for Management reporting. This has been determined on the basis that it is this group that determines the allocation of the resources to segments and assesses their performance.

The Group has four operating segments based on geographical locations reportable under NZ IFRS 8, as described below, which are the Group's strategic groupings of business units. The following summary describes the operations in each of the Group's reporting segments:

- **New Zealand** – Includes the sales and distribution activity relating to the New Zealand market.
- **Australia** – Includes the sales and distribution activity relating to the Australian market.
- **Asia** – Includes the sales and distribution activity relating to the Asian market.
- **Rest of World** – Includes the out-licensing of IP developments to markets in which the Group does not have a presence and the export of products to export markets. The costs of research and development and new market development activity not specific to the other segments are expensed to this segment.
- **Major Customers** – Revenues from one customer of the Australian segment (being a licensed wholesaler) represents approximately NZ$45.9m (2023 NZ$44.5m) and from one customer of the New Zealand segment (also being a licensed wholesaler) represents approximately NZ$24.5m (2023: NZ$21.1m) of the Group's revenues.

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

7. Operating Profit

	Note	2024 $'000	2023 $'000
Profit before tax		**22,019**	**15,799**
After charging the following specific expenses			
Finished goods materials included in cost of sales		105,217	82,811
Inventory write off included in cost of sales		1,922	847
Fees paid to auditors	8	278	275
Short term rental expenses - premises		154	127
Share options expense		139	-
Short term employee emoluments (*)			
Selling and distribution expenses		10,102	8,200
General and administration expenses		3,197	2,919
Research and development expenses		3,187	2,651
		16,486	**13,770**
Research and development expenses			
Business development		3,286	1,260
New market development		1,620	1,736
		4,906	**2,996**
Depreciation			
Plant and machinery		142	95
Furniture and fittings		24	23
Vehicles		35	52
ROU equipment		12	16
ROU vehicles		412	285
ROU buildings		378	337
		1,003	**808**
Amortisation			
Patents		196	40
Software		2	4
Development costs		739	799
Registration costs		73	73
		1,010	**916**
Finance costs			
Interest on borrowings		3,379	2,638
Interest on ROU liabilities		307	235
Foreign exchange (gains)/losses		(1,106)	3,143
Derivative (gains)/losses		(287)	(2,131)
Other financing costs/(gains)		(11)	(2)
		2,282	**3,883**
* This includes contributions recognised as an expense for defined contributions		883	607

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

8. Fees Paid to Auditors

	2024 $'000	2023 $'000
Audit of financial statements		
Audit of annual financial statements	235	220
Review of interim financial statements	43	49
Total fees for audit and review services	**278**	**269**
Other services		
Tax R&D services - Deloitte	-	6
Total fees paid to Deloitte	**278**	**275**

9. Trade and Other Receivables

	2024 $'000	2023 $'000
Trade receivables	52,263	59,682
Less provision for customer rebates	(11,258)	(20,064)
	41,005	**39,618**
Expected credit loss	-	-
Prepayments & sundry debtors	3,217	7,100
Total trade and other receivables	**44,222**	**46,718**

Ageing of overdue trade debtors	1-30 Days $'000	31-60 Days $'000	61-90 Days $'000	90+ Days $'000	Total $'000
31 March 2024	2,259	460	90	281	3,090
31 March 2023	1,088	325	411	1,040	2,864

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

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

As at 31 March 2024	Current $'000	Current to 1 month $'000	Greater than 1 month $'000	Total $'000
Expected loss rate	*	*	0.03%	
Gross carrying amount	49,173	2,259	831	52,263
Expected credit loss allowance provision				-
Short term loss allowance provision				-
Long term loss allowance provision				-
As at 31 March 2023	**Current $'000**	**+1 Month $'000**	**>1 Month $'000**	**Total $'000**
Expected loss rate	*	*	0.03%	
Gross carrying amount	56,818	1,088	1,776	59,682
Expected credit loss allowance provision				-
Short term loss allowance provision				-
Long term loss allowance provision				-

*Expected credit losses are negligible.

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

The average credit period on sale of goods is 52 days (2023: 44 days). No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL.

AP

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

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

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

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

Bad debt expense for the current year was nil (2023: nil).

10. Inventories

	2024 $'000	2023 $'000
Inventory on hand	50,046	43,210
Provision for obsolescence	(989)	(813)
Total inventories	**49,057**	**42,397**

AP

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

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

11. Property, Plant and Equipment

	Plant and machinery $'000	Furniture and fixtures $'000	Vehicles $'000	ROU Buildings $'000	ROU Vehicles $'000	ROU Equipment $'000	Total $'000
Cost							
Balance at 30 March 2022	**1,162**	**461**	**429**	**3,511**	**1,047**	**187**	**6,797**
Additions	159	38	-	-	677	-	874
Disposals	(6)	-	(228)	-	(445)	(143)	(822)
Balance at 30 March 2023	**1,315**	**499**	**201**	**3,511**	**1,279**	**44**	**6,849**
Net foreign currency exchange differences	16	2	1	10	18	-	47
Additions	104	12	-	397	937	14	1,464
Disposals	(3)	-	-	-	(359)	-	(362)
Balance at 31 March 2024	**1,432**	**513**	**202**	**3,918**	**1,875**	**58**	**7,998**
Accumulated depreciation							
Balance at 30 March 2022	**(1,037)**	**(333)**	**(198)**	**(978)**	**(729)**	**(162)**	**(3,437)**
Depreciation	(95)	(23)	(52)	(337)	(285)	(16)	(808)
Disposals	5	-	168	-	445	143	761
Balance at 30 March 2023	**(1,127)**	**(356)**	**(82)**	**(1,315)**	**(569)**	**(35)**	**(3,484)**
Net foreign currency exchange differences	(13)	2	(9)	(17)	-	(1)	(38)
Depreciation	(142)	(24)	(35)	(378)	(412)	(12)	(1,003)
Disposals	2	-	-	-	347	-	349
Balance at 31 March 2024	**(1,280)**	**(378)**	**(126)**	**(1,710)**	**(634)**	**(48)**	**(4,177)**
Carrying amounts							
Balance at 30 March 2023	**188**	**143**	**119**	**2,196**	**710**	**9**	**3,365**
Balance at 31 March 2024	**152**	**135**	**76**	**2,207**	**1,241**	**10**	**3,821**

AP

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

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

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

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

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

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

AP

Lease accounting

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

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

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

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

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

The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate

If or when the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change due to a change in a floating interest rate, in which case a revised discount rate is used)

If or when a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

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

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

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

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

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

The Group applies NZ IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment losses.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "general and administrative expenses" in the income statement.

See note 14 for interest bearing liability analysis and note 23 for lease maturity analysis.

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

12. Intangible Assets

	Pascomer IP $'000	Trademarks $'000	Capitalised registration $'000	Capitalised development $'000	Patents $'000	Software $'000	Total $'000
Cost							
Balance at 30 March 2022	**12,500**	**960**	**5,564**	**16,907**	**3,627**	**533**	**40,091**
Additions	-	223	2,023	6,347	387	-	8,980
Disposals	-	(81)	(24)	(120)	(442)	-	(667)
Balance at 30 March 2023	**12,500**	**1,102**	**7,563**	**23,134**	**3,572**	**533**	**48,404**
Additions	-	178	1,328	7,500	405	-	9,411
Disposals	-	(46)	(319)	(199)	(5)	-	(569)
Balance at 31 March 2024	**12,500**	**1,234**	**8,572**	**30,435**	**3,972**	**533**	**57,246**
Accumulated amortisation							
Balance at 30 March 2022	**-**	**-**	**(215)**	**(151)**	**(1,107)**	**(525)**	**(1,998)**
Amortisation	-	-	(73)	(799)	(40)	(4)	(916)
Disposals	-	-	-	-	137	-	137
Balance at 30 March 2023	**-**	**-**	**(288)**	**(950)**	**(1,010)**	**(529)**	**(2,777)**
Amortisation	-	-	(73)	(739)	(196)	(2)	(1,010)
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2024	**-**	**-**	**(361)**	**(1,689)**	**(1,206)**	**(531)**	**(3,787)**
							-
Carrying amounts							-
Balance at 30 March 2023	**12,500**	**1,102**	**7,275**	**22,184**	**2,562**	**4**	**45,627**
Balance at 31 March 2024	**12,500**	**1,234**	**8,210**	**28,747**	**2,766**	**2**	**53,459**

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

E

Pascomer IP

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

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

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

Considering the inherent uncertainties of both the successful conclusion of clinical trials and the successful registration with orphan status, the Group has recognised the Pascomer intellectual property at its fair value of $12.5m at the time of the FY2019 business combination. It is being assessed for impairment on an annual basis.

Since initial acquisition, the group continually assesses the progress of Pascomer. In April 2022 the US Food and Drug Administration (FDA) approved a topical treatment indicated for facial angiofibroma (FA) associated with Tuberous Sclerosis Complex (TSC) developed by Japan's Nobelpharma. This means that Nobelpharma has gained exclusivity for a period of seven years in USA which will prevent AFT achieving approval of its Pascomer for this orphan indication with the FDA during this period. Nobelpharma also gained approval in the EU in May 2023 and exclusivity for a period of ten years. The update on the High Court judgement involving Pascomer can be found in Note 3. Significant Transactions and Events in the Financial Year.

The clinical trial study was issued in July 2022 and showed Pascomer delivered statistically significant [$p<0.05$] benefits against the clinically relevant investigator Global Assessment (IGA), FASI and patient-physician improvement scales. However, the medicine did not reach the threshold on the IGA scale that the US Food and Drug Administration (FDA) considered necessary for its registration in the United States (US) as a treatment for FA. At around the same time Timber Pharmaceuticals LLC terminated its agreements with AFT.

The clinical trial program for non-orphan drug Pascomer indications, including Port Wine Stain (PWS) will continue and the significant formulation patent for Pascomer has been granted in Australia until November 2040 which will form the basis of further patent filings around the world.

The Group has assessed the recoverability of the Pascomer IP carrying value of $12.5m plus Pascomer capitalised development costs of $2.8m by reviewing the key assumptions made by independent registered valuer, Edison Investment Research Limited in February 2024, which had been commissioned by the board. The material assumptions made in this review are:

a) the successful clinical trials and timing of registration in the US, Europe and Australasia
b) The period used for the discounted cash flow is out to 2043 (2023: 2040)
c) The discount rate used 12.5% (2023: 12.5%)
d) For PWS the addressable market has been taken as 0.7 million patients in the USA, 1.95 million in Europe and 0.1 million in Australasia (2023: 1.0 million patients in the USA, 3.15 million in Europe and 0.1 million in Australasia). It is assumed there is no growth in the patient base and a peak penetration of 2.5% (2023: 2.5%) in all markets with a probability of success is 30% (2023: 40%).

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

The group has also considered the possible impact, if any, arising from the appeal made against the high court judgement detailed on note 3. Significant Transactions and Events in the Financial Year.

The groups valuation indicates sufficient headroom such that a reasonably possible change to the key assumptions and the sensitivity above is unlikely to result in an impairment of the Pascomer assets.

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

AP

Research and development

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

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

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

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.

b) the Group's intention to complete the intangible asset and use or sell it.

c) the Group's ability to use or sell the intangible asset.

d) how the intangible asset will generate probable future economic benefits. Among other things,

e) the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

f) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

g) the Group's ability to measure reliably the expenditure attributable to the intangible asset during its development.

Finite useful life

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

Indefinite useful life

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

Impairment

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

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

13. Income Tax

	2024 $'000	2023 $'000
Tax expense		
Profit before tax	**22,019**	**15,799**
Tax calculated at domestic tax rates applicable	6,166	4,424
Adjustment due to different tax rates of subsidiaries operating in different jurisdictions	313	166
Tax on expenses not deductible	79	16
Prior year tax adjustment	(148)	185
Non-resident withholding tax	-	354
Tax expense	**6,410**	**5,145**
Comprising		
Current tax:		
Current tax on profits for the year	4,206	1,287
Adjustment for current tax of prior year	(17)	-
Deferred tax	2,221	3,858
	6,410	**5,145**
Deferred tax balance		
Deferred tax asset	**2,250**	**4,471**
Deferred tax asset	**2,250**	**4,471**

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 2024, the Group recognised deferred tax assets on temporary differences totalling $2,250k (2023 $4,471k) since it was foreseeable that temporary differences could be offset against future taxable profits. On the basis of the approved business plans of subsidiaries, the Group considers it probable that temporary differences can be offset against future taxable profits. There is no expected change in capital structure in the near future which is expected to affect the recoverability of the recognised deferred tax assets.

The movement in deferred tax is:

	Provisions $'000	Recognised Total Tax losses $'000	Intangible Assets $'000	Stock Profit Elimination $'000	Total $'000
31-Mar-22 (Restated)	**724**	**2,041**	**-**	**5,564**	**8,329**
Movements	(119)	-	-	(1,698)	(1,817)
Recognition of losses	-	(2,041)	-	-	(2,041)
31-Mar-23	**605**	**-**	**-**	**3,866**	**4,471**
Movements	196	-	(2,167)	1,344	(627)
Recognition of losses	-	-	-	-	-
Prior period adjustments	-	-	(1,594)	-	(1,594)
31-Mar-24	**801**	**-**	**(3,761)**	**5,210**	**2,250**

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

AP

Current and deferred income tax

The income tax expense or benefit for the year is the tax payable on the current period's taxable income (based on the national income tax rate for each jurisdiction) adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and does not give rise to equal taxable and deductible temporary differences. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Based on independent tax advice received during the year, the Group has calculated the current tax and deferred tax expense on the basis that a tax deduction will be available for capitalised product registration fees and development expenditure for 2023 and 2024 income tax years. If the Inland Revenue were to successfully challenge the position taken by the Group, that would increase the current tax payable and current tax expense by $3,786k; and decrease the deferred tax liability and deferred tax expense by $3,761k.

The Group has applied for amending each of the 2018 to 2022 income tax returns for capitalised product registration fees and development expenditure to be treated as deductible. However, the current tax expense has not been revised on that basis as the requested amendments are subject to the Commissioner's discretion.

As at the date these financial statements were authorised for issue, the Group are yet to receive a response from the Inland Revenue, and therefore there is uncertainty about the tax position.

14. Interest Bearing Liabilities

	2024 $'000	2023 $'000
Current lease liabilities	796	571
Non-current lease liabilities	3,194	2,820
BNZ overdraft	-	1,458
BNZ Term loans current portion	-	1,000
BNZ Term loans non-current portion	28,200	32,200
Total	**32,190**	**38,049**

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

Opening balance of BNZ loan	33,200	37,200
BNZ loans drawn down	-	-
Repayment of principal	(5,000)	(4,000)
Closing balance	**28,200**	**33,200**

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

On 30 September 2022 the BNZ facility was renewed for a further three-year term through to April 2026. The facility retains a) the $18.2 million term loan, b) the $10.0 million working capital facility, c) the $3.0 million overdraft and d) the $5.0 million Business Finance Scheme Loan (BFS). The maturity date for the BFS is May 2026.

Interest on the term loan and working capital facility is the BNZ CCAF or CARL plus a margin of 1.45%. Interest on the overdraft is the BNZ market connect base rate plus a margin of 1.00%. Interest on the BFS is fixed at 2.30%. The non fixed interest rates are reset on a quarterly basis.

As at year end the Group overdraft facility was nil (2023: drawn down by $1,458k)

All covenants relating to the BNZ facility have been complied with during the year.

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

15. Trade and Other Payables

	2024 $'000	2023 $'000
Trade payables	25,328	22,185
GST payable	2,476	3,483
Employee entitlements	2,043	1,939
Other payables and accruals	4,293	4,051
Total	**34,140**	**31,658**

16. Provisions

	2024 $'000	2023 $'000
Opening balance of supplier rebates at 1 April	4,147	4,143
Prior period provision utilised	(2,035)	(3,440)
Provision utilised	(4,436)	(1,600)
Additional provisions required	9,655	5,044
Closing balance of supplier rebates at 31 March	**7,331**	**4,147**

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

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

17. Share Capital

Ordinary shares are classified as equity.

	2024 Shares	2023 Shares	2024 $'000	2023 $'000
Ordinary share capital	104,866,260			
104,866,260	81,406	81,406		
Less capital raising costs	-	-	(3,166)	(3,166)
Total	**104,866,260**	**104,866,260**	**78,240**	**78,240**

	2024 Shares	2023 Shares	2024 $'000	2023 $'000
Share capital at beginning of the year	104,866,260	104,697,260	78,240	77,606
Issue of ordinary shares for exercised share options	-	169,000	-	634
Total	**104,866,260**	**104,866,260**	**78,240**	**78,240**

Ordinary shares

No shares were issued during the period (2023: 169,000 shares were issued as a result of staff share options being exercised as detailed below).

Staff share options

During the period no staff share options were exercised (2023: 169,000 staff share options were exercised, raising $475k).

18. Earnings Per Share

	2024 $'000	2023 $'000
Earnings used in the calculation of basic and diluted earnings per share		
Profit after tax	15,609	10,654
Less Redeemable Preference shares dividend	-	-
Net Profit after tax attributable to Ordinary shareholders	**15,609**	**10,654**
Weighted average number of ordinary shares for the		
purposes of basic and diluted earnings per share	104,866,260	104,848,510
Basic and diluted profit per share ($)	$0.15	$0.10

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

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

19. Dividends per Share

On 3 July 2023 payment of a maiden dividend of 1.1 cent per share of approximately $1.2 million was paid, this was not imputed. No dividends were declared to the ordinary shareholders during the prior year.

20. Staff Share Options

	2024		2023	
	Average exercise price $ per share	Options	Average exercise price $ per share	Options
Balance at beginning of year	-	-	2.80	330,000
Issued	3.46	510,000	2.80	-
Forfeited	3.46	-	2.80	-
Exercised *	3.46	-	2.80	(169,000)
Lapsed **	3.46	-	2.80	(161,000)
Balance at end of year	**3.46**	**510,000**	**2.80**	**-**

* Weighted average share price for options exercised during the period $nil (2023: $3.77)

** Of the 510,000 outstanding options, none are currently exercisable (2023: nil)

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

			2024	2023
Expiry month	**Exercisable month**	**Exercise price**		
May 2026	May 2024	3.46	168,600	-
May 2027	May 2025	3.46	168,600	-
May 2028	May 2026	3.46	172,800	-
Total share options outstanding			**510,000**	**-**

The weighted average remaining contractual life of options outstanding at the end of the period was 3.2 years (2023 none)

Share options reserve	2024 $'000	2023 $'000
Balance at beginning of year	-	(160)
Current year amortisation	139	(1)
Transferred to ordinary share capital	-	161
Options lapsed transferred to retained earnings	-	14
Balance at end of year	**139**	**-**

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

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The Company has a share option plan for employees of the Group. In accordance with the terms of the plan, as approved by the directors, certain employees on 5 May 2023 were granted share purchase options.

- Each employee share option converts into one ordinary share of the Company on exercise.
- No amounts are paid or payable by the recipient on receipt of the option.
- The options carry neither rights to dividends nor voting rights.
- Options may be exercised at any time from the date of vesting to the date of their expiry.
- The number of options granted is calculated in accordance with the performance-based formula approved by the directors at previous Board meetings.

The formula rewards employees to the extent of the Group's and the individual's achievement judged against both qualitative and quantitative criteria including the following financial and operational measures:

- Market share
- Net profit
- Target sales thresholds; and
- Product registration and licensing targets.

Staff share options are valued at fair value at the grant date as calculated using the Black Scholes model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

21. Contingent Assets and Liabilities

In December 2019, the Company renewed its guarantee of AFT Pharmaceuticals (AU) Pty Limited for its five-year lease extension contract with Investec Limited for the premises occupied in Sydney, Australia. A deposit of AUD$84,000 is held with NAB bank as security for this lease.

The Group has provided a guarantee to Robt Jones Investment Holdings Ltd of $100,000 as security over the leased office premises at 129 Hurstmere Road, Takapuna. Auckland.

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

22. Capital Commitments

The Group has no capital commitments at 31 March 2024 (31 March 2023: nil).

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

23. Financial Risk Management

Managing financial risk

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

• **Market risk**

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

Risk factor description	Description	Sensitivity
Currency risk	Exposure to changes in foreign exchange rates on assets, liabilities, revenue and expenses	As below
Interest rate risk	Exposure to changes in interest rates on borrowings	As below
Other price risk	No commodity securities are bought, sold or traded	Nil

• **Foreign exchange risk**

The Group benefits from the use of derivative financial instruments to manage foreign currency exposures. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates at year end and the contract exchange rates, considered level 2 of the fair value hierarchy.

The Group sells and purchases goods and services to and from overseas customers and suppliers in several currencies, primarily AUD, USD, EUR and GBP which exposes the Group to foreign currency risk. The Group manages foreign currency risk through use of derivative arrangements, in particular forward exchange contracts. The exposure is monitored on a regular basis based on Group foreign exchange policies, which allow for up to 50% forward cover out for twelve months. Future revenues from markets outside Australasia will be denominated primarily in USD and EUR which will provide an increasing natural hedge against costs.

In the current year net foreign exchange gains totalled $1,404k (2023: loss $1,010k). The balance of gains/losses are derived from the restatement of monetary balances at the spot rate on the period-end balance date of 31 March 2024 and settlement of transactions during the period.

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

	2024		2023	
Currency	Assets NZD$'000	Liabilities NZD$'000	Assets NZD$'000	Liabilities NZD$'000
AUD	41,798	5,834	29,512	8,732
USD	3,777	7,337	8,101	6,643
MYR	514	1	435	6
GBP	494	315	153	-
EUR	2,908	5,526	1,116	7,990
SGD	558	9	947	10
CNY	19	88	10	-
BND	8	0	-	-
HKD	2	4	-	1
YEN	-	-	-	2
CHF	8	-	4	-

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

The following forward foreign exchange contracts were held at 31 March 2024:

Forward Foreign Exchange Contracts

Buy currency	Buy currency amount ‘000	Sell amount NZD$’000	Buy amount NZD$’000	Fair value NZD$’000
EUR	4,870	8,644	8,838	194
USD	3,650	5,913	6,084	171
Sell currency	**Sell currency amount $’000**	**Buy amount NZD$’000**	**Sell amount NZD$’000**	**Fair value NZD$’000**
AUD	10,540	11,564	11,521	43
Total asset as at 31 March 2024				**408**
Total liability as at 31 March 2024				**-**

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

Forward Foreign Exchange Contracts

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

- **Interest rate risk**

Borrowings are at a mixture of floating base rates plus a margin determined by the Group’s performance against covenant adherence levels, which exposes the Group to cash flow interest rate risk. There are no specific derivative arrangements to manage this risk.

- **Credit risk**

Financial instruments, which potentially subject the Group to credit risk, principally consist of accounts receivable and cash and cash equivalents. 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 2024, with the largest debtor being AU$15.93m (31 March 2023: AU$27.27m). The value is stated net of expected rebates. 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 deposit. At balance date, bank deposits at each financial institution as a percentage of total assets were; an overdraft position with Bank of New Zealand at 31 March 2024 (2023 overdraft position), and 3.8% at NAB Bank (2023: 2.8%). The carrying value of financial assets represents the maximum exposure to credit risk.

- **Liquidity risk**

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

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

The liquidity/maturity profile of the liabilities (inclusive of derivative assets and liabilities) is as follows:

31 March 2024	< 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	TOTAL $'000
Trade and other payables	(34,609)	-	-	-	(34,609)
Borrowings	(2,542)	(2,542)	(33,500)	-	(38,584)
Lease liabilities	(1,010)	(852)	(1,539)	(1,098)	(4,499)
Derivative instruments (outbound)	(26,078)	-	-	-	(26,078)
Derivative instruments (inbound)	26,486	-	-	-	26,486
Total	**(37,753)**	**(3,394)**	**(35,039)**	**(1,098)**	**(77,284)**

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

Fair Values

The carrying values of trade receivables, trade payables and borrowings approximate their fair values because of their short terms to maturity or interest reset dates. Trade receivables are valued net of provision and trade payables are valued at their original amounts by contract.

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 are determined by the Group's internal Corporate Governance policies.

Under the BNZ facility, there is a covenant requirement that the facility, comprising an overdraft and letter of credit facility, must not exceed the total of 70% of acceptable debtors plus 50% of acceptable stock. Additional covenants include a requirement for a minimum principal and interest cover ratio, a minimum net leverage ratio and a maximum capital expenditure (capex) and research and development (R&D) ratio. Covenant reporting is required on a quarterly basis. The Group was compliant with all BNZ covenants during the period.

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

25. Investment in Subsidiaries

	Interest held 2024 %	Interest held 2023 %	Country of incorporation	Principal activities
AFT Pharmaceuticals (AU) Pty Ltd	100%	100%	Australia	Distribution of pharmaceuticals in Australia
AFT Pharmaceuticals (S.E. Asia) Sdn Bhd	100%	100%	Malaysia	Registration of pharmaceuticals in Malaysia
AFT Orphan Pharmaceuticals Limited	65%	65%	New Zealand	No activity
AFT Limited Partner Limited	100%	100%	New Zealand	Sole partner in Dermatology Specialties LP
Dermatology Specialties Limited Partnership	100%	100%	New Zealand	No activity
DSGP Limited	100%	100%	New Zealand	General partner of Dermatology Specialties LP
AFT Dermatology Limited	100%	100%	New Zealand	Distribution of pharmaceuticals
AFT Pharmaceuticals (EUR) Limited	100%	100%	Ireland	Distribution of pharmaceuticals in Europe
Kiwi Health Pty Ltd	100%	100%	Australia	Distribution of pharmaceuticals in Asia
AFT Pharma UK Limited	70%	70%	United Kingdom	Distribution of pharmaceuticals in the UK
AFT Pharmaceuticals (HK) Limited	100%	-	Hong Kong	No activity
AFT Pharmaceuticals (CAN) Limited	70%	-	Canada	No activity
AFT Pharmaceuticals US Inc	100%	-	USA	No activity

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

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

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

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

Notes to the Financial Statements (Continued) For The Year Ended 31 March 2024

26. Significant Events After Balance Sheet Date

On May 23 2024 the board approved the payment of a dividend of 1.6 cent per share of approximately $1.7 million. This will not be imputed.

There were no other significant events after balance sheet date.

27. Related Parties

The Group had related party relationships with the following entities:

Related party	Nature of relationship
Atkinson Family Trust	The Trust is a substantial product holder of ordinary shares in the Company AFT Chief Executive Officer, Hartley Atkinson, is a Trustee / Discretionary Beneficiary of Atkinson Family Trust. AFT Chief of Staff, Marree Atkinson, is a Discretionary Beneficiary of Atkinson Family Trust

Key management compensation	2024 $'000	2023 $'000
Director fees	501	472
Executive salaries	1,558	1,416
Short term benefits	416	443
Options expense	-	32
Key management compensation	**2,475**	**2,363**

Key management includes external directors, the Managing Director, 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.

Statutory Disclosures

DIRECTOR INTEREST DISCLOSURES

Shareholder Director Officer or Trustee

Directors have given general notices disclosing interests pursuant to section 140(2) of the Companies Act 1993. All of those interests (and any changes to interests) notified and recorded in the Interests Register during the financial year ended 31 March 2023 (and subsequently) are set out below:

Director	Entity	Relationship
Hartley Atkinson	AFT Orphan Pharmaceuticals Limited	Director
	AFT Pharmaceuticals (AU) Pty Limited	Director
	AFT Pharmaceuticals (SE Asia) SDN BHD	Director
	Atkinson Family Trust	Trustee/Discretionary Beneficiary (Holds shares in AFT)
	AFT Limited Partner Limited	Director
	DSGP Limited	Director
	Dermatology Specialties, L.P.	Director of AFT Limited Partner Limited
	AFT Dermatology Limited	Director
	AFT Pharmaceuticals (EUR) Limited	Director
	AFT Pharma UK Limited	Director
	Kiwi Health Pty Limited	Director
	AFT Pharmaceuticals (HK) Limited	Director
	AFT Pharmaceuticals (CAN) Limited	Director
	AFT Pharmaceuticals US, Inc	Director
	Hama Holdings Limited	Director
Marree Atkinson	Atkinson Family Trust	Trustee/Discretionary Beneficiary (Holds shares in AFT)
	Hama Holdings Limited	Director
Anita Baldauf	Smart Design Limited	Director (company contracted with AFT for services)
	Future Ready NZ Limited	Director
David Flacks	Vero Liability Insurance New Zealand Limited	Chairman
	Flacks & Wong Limited	Director
	Asteron Life Limited	Chairman
	Vero Insurance New Zealand Limited	Chairman
	Todd Corporation Limited	Director
	Angel Association of New Zealand	Chairman
Andrew Lane	Abbott Laboratories	Shareholder
Ted Witek	Trudell Medical International	Director
	Lumira Ventures	Special advisor
	Kuano Limited	Director

Jon Lamb retired from the Board on 28 September 2023. As at the date of his retirement his interests disclosed to AFT included: Rivers One Limited Trustee of Shareholder (with beneficial interest in AFT shares held by Rivers One; Redvers Limited, Director, a company that also contracted with AFT for services; Project X Trustee Limited, Director; Coronation Equities Limited Director; Three dots Limited (formerly Nightingale Telemed Limited), Director; Zero Waste Seas Limited (formerly Culture Check Limited), Director; Medreleaf NZ Limited, Director & Shareholder; Indica Industries NZ Limited, Director & Shareholder; BV&RR Trustees Limited, Director; Rodney Road Limited, Director; and Aurora Cannabis Limited Director; Aurora Medicinal Cannabis Limited, Director.

No directors have disclosed interests for the purposes of section 140 (1) of the companies Act 1993 during the financial year ending 31 March 2024.

Acquisitions or Disposals of Shares in AFT

Jon Lamb, who retired from the Board on 28 September 2023 disclosed on 14 September 2023 that Rivers One Limited, over which he – as a trustee of Rivers One Trust - had the power to control the exercise of the right to vote, sold 32,450 shares on market, leaving Rivers One with holding of 271,314 shares in the company. No other Directors disclosed acquisitions or disposals of relevant interests in AFT ordinary shares during the financial year ended 31 March 2024.

Relevant Interests in AFT's Shares

In accordance with the NZX Listing Rule 3.7.1 (d), at 31 March 2024, directors had a relevant interest in AFT ordinary shares as follows:

Director[1]	Number	Share of issued capital
Hartley Atkinson	72,899,435[2]	69.517%
David Flacks	178,764	0.170%

1 Jon Lamb, who retired from the Board on 28 September 2023 disclosed on 14 September 2023 that he had relevant interest of 271,314 shares in the company.

2 Includes the holdings of the Atkinson Family Trust and Hama Holdings.

Remuneration and Other Benefits

For the purposes of section 161 of the Companies Act 1993, the following entries were made in the Interests Register in relation to the payment of remuneration and other benefits to Directors during the financial year ended 31 March 2024:

Director	Remuneration and other benefits
Anita Baldauf, David Flacks, Jon Lamb, Ted Witek	The increase in Directors fees to take effect on 1 April 2023 on the terms set out in the 18 May 2023 Board paper.
Hartley Atkinson Marree Atkinson	The payment of remuneration and the provision of other benefits by the Company to each of Hartley Atkinson and Marree Atkinson on the terms set out in a letter of amendment to the relevant employment agreement and the 18 May 2023 Board paper.
Hartley Atkinson Marree Atkinson	The payment of STI remuneration by the Company to each of Hartley Atkinson and Marree Atkinson on the terms set out in a letter of Short-Term Incentive notification.

Indemnity and Insurance

For the purposes of section 162 of the Companies Act 1993, an entry was made in the Interests Register in relation to insurance effected for Directors of AFT, in relation to any act or omission in their capacity as Directors on 31 October 2022.

Shareholdings

As at 30 April 2024 there were 104,866,260 ordinary shares on issue, each conferring on the registered holder the right to vote on any resolution at a meeting of shareholders, held as follows:

Size of shareholding	Holders	Proportion of total holders	Shares	Share of issued capital
1 - 1,000	932	43.69%	400,956	0.38%
1,001 - 5,000	742	34.79%	1,902,326	1.81%
5,001 - 10,000	236	11.06%	1,745,982	1.66%
10,001 - 50,000	172	8.06%	3,463,544	3.30%
50,001 - 100,000	16	0.75%	1,150,846	1.10%
100,001 - and over	35	1.64%	96,202,606	91.74%
TOTAL	**2,133**	**100.00%**	**104,866,260**	**100.00%**

As at 30 April 2024 there were 14 individuals holding a total of 510,00 options to acquire shares issued by AFT under its employee long-term incentive scheme. The options are unlisted and carry no voting rights.

Top 20 Shareholders

The top twenty holders of AFT's ordinary shares as at 30 April 2024 are as follows:

Name	Shares	Share of issued capital
Hartley Atkinson & Colin McKay	72,031,609	68.69%
Accident Compensation Corporation - NZCSD	4,889,379	4.66%
Forsyth Barr Custodians Limited	4,093,476	3.90%
Bnp Paribas Nominees (NZ) Limited - NZCSD	2,560,365	2.44%
Mmc Limited - NZCSD	1,986,638	1.89%
Hsbc Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	1,699,112	1.62%
Fnz Custodians Limited	1,576,594	1.50%
Bnp Paribas Nominees (NZ) Limited - NZCSD	1,094,053	1.04%
Hama Holdings Limited	867,826	0.83%
New Zealand Depository Nominee Limited	655,467	0.63%
Custodial Services Limited	385,806	0.37%
Forsyth Barr Custodians Limited	367,364	0.35%
MMC - Queen Street Nominees Limited ACF Salt Long Short Fund - NZCSD	319,834	0.30%
JP Morgan Nominees Australia Limited	300,000	0.29%
Jpmorgan Chase Bank NA Nz Branch-Segregated Clients Acct - NZCSD	296,651	0.28%
Joeri Yvonne Jozef Sels	286,325	0.27%
Fnz Custodians Limited	284,805	0.27%
Jbwere (Nz) Nominees Limited	258,000	0.25%
Rivers One Limited	221,305	0.21%
JB Were (Nz) Nominees Limited	193,340	0.18%

1 Hama Holdings is an entity linked to the Atkinson Family Trust.

Substantial Product Holders

According to notices given to AFT under the Financial Markets Conduct Act 2013, the following persons were substantial product holders in AFT at 31 March 2024 in respect of the number of quoted voting products noted below. As at the balance date 31 March 2024 there were 104,866,260 ordinary shares on issue:

Substantial Product Holder	Number of ordinary shares in which the relevant interest is held	Share of class held as at the date of last notice
Hartley Campbell Atkinson and Colin McKay as Trustees of the Atkinson Family Trust	72,899,435[1]	69.51%

1 Includes the holdings of the Atkinson Family Trust and Hama Holdings

Subsidiary Company Directors

The following people held office as Directors of subsidiary companies as at 31 March 2024:

- Donald MacKenzie received A$50,000 in his capacity as a Director of AFT Pharmaceuticals (AU) Pty Limited.
- Raymond McGregor received A$12,000 in his capacity as a director of AFT Pharmaceuticals (AU) Pty Limited.
- Eddie Townsley received €12,000 in his capacity as a Director of AFT Pharmaceuticals (EUR) Limited (Ireland)

The following people held office as directors of subsidiary companies at 31 March 2024

Subsidiary	Directors
AFT Pharmaceuticals (AU) Pty Limited	Hartley Atkinson, Raymond MacGregor, Donald Mackenzie.
AFT Pharmaceuticals (EUR) Limited	Hartley Atkinson, Eddie Townsley
AFT Pharma UK Limited	Hartley Atkinson, Vivian Hansen, Samer Taslaq.
AFT Pharmaceuticals (SE Asia) SDN BHD	Hartley Atkinson, Dion Seng Peng
AFT Limited Partner Limited	Hartley Atkinson
DSGP Limited	Hartley Atkinson
Dermatology Specialties, L.P.	DSGP
AFT Dermatology Limited	Hartley Atkinson
Kiwi Health Pty Limited	Hartley Atkinson, Raymond MacGregor.
AFT Pharmaceuticals (HK) Limited	Hartley Atkinson
AFT Pharmaceuticals (CAN) Limited	Hartley Atkinson
AFT Pharmaceuticals US, Inc	Hartley Atkinson
AFT Orphan Pharmaceuticals Limited	Hartley Atkinson, Andrew Moore, Giles Moss, Malcolm Tubby.

NZX Waivers and Exercise of Powers

AFT was not granted any NZX Waivers during the financial year ending 31 March 2024, nor did it rely on waivers granted in any prior period. Similarly, NZX did not exercise any of its powers under NZX Listing Rule 9.9.3

Donations

During the financial reporting period AFT contributed $5,000 to its local North Shore MP Simon Watts.

Credit Rating

AFT does not currently have an external credit rating status.

Appendix 1
CLIMATE RESILIENCE

AFT Pharmaceuticals FY23 Aotearoa New Zealand Climate Standard Disclosure

Important information

AFT Pharmaceuticals (AFT) is a climate-reporting entity under the Financial Markets Conduct Act 2013. Our inaugural climate related disclosures on pages 108 to 120 cover our progress between 1 April 2023 and 31 March 2024 and comply with the Aotearoa New Zealand Climate Standards issued by the External Reporting Board. All figures and commentary relate to the full year ended 31 March 2024, unless otherwise indicated.

In preparing our climate-related disclosure, AFT has elected to use the following adoption provisions:

- Adoption provisions 1 and 2: Current and anticipated financial impacts.
- Adoption provision 3: Transition planning – a description of our progress towards developing our transition plan can be found on page 116.
- Adoption provision 4: Scope 3 GHG emissions – our scope 3 emissions will be reported in our second climate disclosure next year.
- Adoption provisions 5 and 6: Comparatives for Scope 3 GHG emissions and metrics
- Adoption provision 7: Analysis of trends

This disclosure contains climate-related and other forward-looking statements and metrics, which are not and should not be considered guarantees, predictions or forecasts of the future-related outcomes or financial performance. These statements are subject to known and unknown risks, uncertainties, and other factors, many of which are beyond AFT's control. Readers are cautioned not to place undue reliance on such statements considering the significant uncertainty in climate metrics and modelling that limit the extent to which they are useful for decision-making, and the many underlying risks and assumptions may cause actual outcomes to differ materially.

Governance

AFT's climate governance structure is shown in Figure 2 below.

Figure 2: Governance structure for managing climate-related impacts.

BOARD

Oversight of climate-related risks and opportunities

CLIMATE GOVERNANCE WORKING GROUP

Assess and manage climate-related risks and opportunities

AFT PHARMACEUTICALS PERSONNEL

Support and operationalise activities to address climate-related risks and opportunities

Figure 3: Governance roles for managing climate-related impacts.

Board of Directors	AFT's Board is responsible for overseeing climate-related risks and opportunities. The material climate related risks and opportunities identified by the business are presented quarterly to the AFT Board, following a quarterly review of risks and opportunities against current trends and scenarios. Climate change and sustainability are standing agenda items on the Board's meetings, and interim progress on management action in these areas is monitored and discussed during these meetings.
Climate Risk Working Group	The Climate Governance Working Group is responsible for assessing and managing climate-related risks and opportunities. This group consists of key Management positions and is responsible for assessing and reviewing climate risks/opportunities, monitoring progress and engaging with the Board about climate related risks and opportunities.
AFT Pharmaceuticals Personnel	AFT's personnel will have specific knowledge not necessarily held by members of the Climate Governance Working Group. The Climate Governance Working Group will engage other AFT employees in this process when required. AFT personnel will implement operational changes to the strategy determined by the Board and Climate Risk Working Group.

Board oversight

AFT's Board is responsible for overseeing climate-related risks and opportunities.

During 2023, The AFT management team engaged in a range of training and education to ensure it has the appropriate skills and competencies available to provide oversight of climate-related risks and opportunities. This included engaging external experts to provide climate knowledge-building across the whole Board. Board climate capability is also established through experience on Boards of other climate reporting entities, including AFT's Chair David Flacks, through his director roles at the Suncorp group of companies, the Todd Corporation and Zero invasive predators. Anita Baldauf through the Nestle Group, Laboratoires Inneov, Edmond Hilary Fellowship and Future Ready Platform. Andrew Lane through Abbott Laboratories where he was on the Global ESG subcommittee. Ted Witek through Trudell Medical International, Lumira Ventures, Kuana and the University of Toronto where he also curates lectures on environmental health and climate change. The Board has integrated climate change into its skills matrix and recruitment process. The skills matrix is reviewed twice yearly, most recently in October 2023.

The material climate related risks and opportunities identified by the business are presented quarterly to the AFT Board, following a quarterly review of risks and opportunities against current trends and scenarios. Climate change and sustainability are standing agenda items at the Board's meetings, and interim progress on management action in these areas is monitored and discussed.

When developing AFT's strategy, the Board and Executive management team attend an annual two-day session immediately prior to the Annual General Meeting (AGM). This strategic planning, includes considering any climate-related risks and opportunities. It also includes a session focused on reviewing and the subsequent amending, if required of the AFT risk matrix. The AFT risk register is reviewed by the board bi-annually.

AFT's climate metrics and targets include its Scope 1 and 2 emissions and associated targets. These have been reviewed and signed off by the AFT Board and emissions progress will be monitored (monthly, with quarterly reporting to Leadership team).

Management's role

The Climate Governance Working Group was established to assess and manage climate-related risks and opportunities. This group consists of the key Management including: the Chief Executive Officer, Chief Financial Officer, Manager Financial Planning and Analysis, Head of Global Logistics and Inventory, and the Supply Manager. Other key Management attend meetings and assist the group as required. This Climate Governance Working Group is responsible for:

- Assigning climate-related responsibilities to management-level positions;
- Integrating, reviewing and updating climate-related risks and opportunities within AFT Pharmaceuticals' risk management framework and strategy resilience;
- Working with AFT's personnel and external stakeholders to operationalise its activities to address climate-related risks and opportunities;
- Monitoring AFT's progress on its climate-related risks and opportunities;
- Meeting quarterly to ensure the effective progress of AFT's climate-related activities;
- Engaging with the Board quarterly on AFT's progress against its climate-related activities.

Strategy

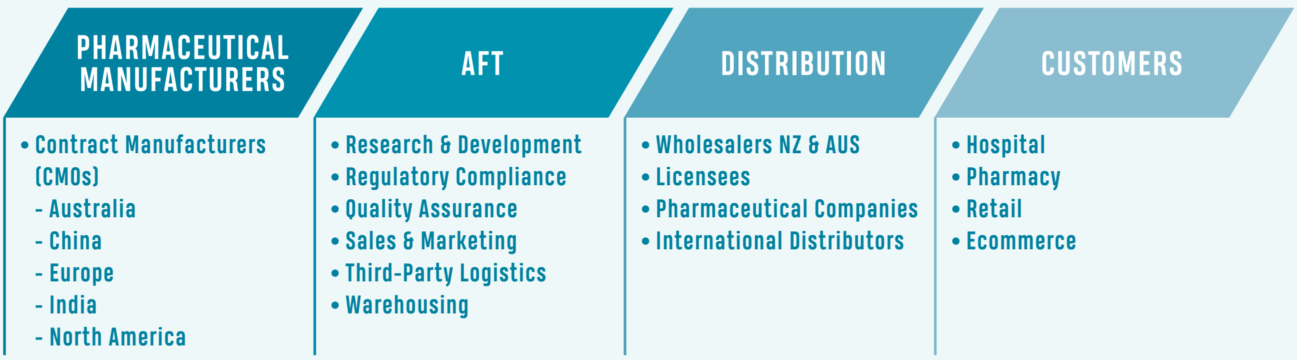
Our business model and value chain

AFT is a growing multinational pharmaceutical company that develops, markets and distributes a broad portfolio of pharmaceutical products across a wide range of therapeutic categories which are distributed across all major pharmaceutical distribution channels: over-the-counter (OTC), prescription and hospital. Our product portfolio comprises both proprietary and in-licensed products, and includes patented, branded, and generic drugs.

AFT's business model is to develop and in-license products for sale by dedicated sales teams in markets of Australia, New Zealand, United Kingdom, Canada and the USA, for some products. For selected EU nations, Singapore and Hong Kong we engage contract sales. Elsewhere, we license products to local enterprises and distributors. Consistent with pharmaceutical industry practice, we generate revenue primarily through the sale of products and through royalties received from our out-licensing and distribution arrangements.

We use third-party manufacturers to manufacture all our products. Where practicable, we engage multiple manufacturers for any one product to mitigate any potential interruption to the supply chain. We monitor product quality is monitored through an internal risk-based quality assurance programme to augment the rigorous industry and regulatory (Good Manufacturing Practice (GMP) certification systems.

Figure 4: AFT's value chain



Current physical and transitional impacts

AFT tracks interruptions to its supply chain through an event reporting log. The Climate Risk Working Group reviewed the log and identified one physical impact that occurred during the reporting period. This impact was caused by flooding, which interrupted the rail network, causing delays to distribution and increased costs from the need to arrange storage and alternative road transport. In addition, two transitional impacts have been experienced. These were:

- Increased climate reporting requirements – Inaugural NZ Climate Standard disclosure which caused increased costs, time, and capability to meet the reporting obligations. This was managed through the appointment of external consultants to ensure compliance against the standard was achieved. These costs have been expensed as they have been incurred.
- Changing supplier contracts/tender requirements to include sustainability. This risk was experienced when applying for some new tenders that had sustainability as part of the selection criteria. This was managed through the presentation of AFT's ESG framework.

Scenario analysis

In August 2023, our Climate Risk Working Group engaged external consultants to support our scenario analysis. In collaboration with Tonkin & Taylor, AFT contributed to the Technical Working Group supporting the development of the healthcare sector-level climate scenarios. The approach to developing the scenarios was based on guidance from the Taskforce for Climate Related Financial Disclosures (TCFD) and the New Zealand External Reporting Board (XRB). Six steps were undertaken, as shown in Figure 5, with a series of workshops being held with the TWG as the project progressed.

AFT used the three scenarios developed at the sector level for its entity-level scenario assessment, focusing on both the global and New Zealand-specific parameters in line with the scope of its operations, manufacturing, distribution networks and end users. No part of AFT's value chain was excluded from the scenario assessment process, the scope of which is described in Figure 4.

We analysed three different scenarios: 'ambitious and orderly', which assumed the conditions under SSP1-1.9 (average warming of 1.4 degrees C by 2100); 'delayed and disorderly', which assumed the conditions under SSP2-4.5 (average warming of 2.7 degrees C by 2100); and 'hothouse world', which assumed the conditions under SSP3-7.0 (average warming of 3.6 degrees by 2100).

The three scenarios and key drivers for AFT are found in Table 15.

We undertook climate training followed by three scenario assessment workshops, focused on identifying the material risks and opportunities under these three scenarios, testing the resilience of our strategy and discussing the management response required to address risks or harness opportunities. We are now conducting transition planning that will leverage the learnings from the scenario analysis process and this includes developing our emissions reduction plan, quantifying the financial impacts and the longer-term implication to our core business model and strategy.

AFT identified the climate change physical and transitional issues arising under these three warming scenarios, the associated risks and opportunities and their priority based on consequence and likelihood (over the short, medium, and long term) (Tables 4 and 5).

Figure 5: Key steps in scenario development

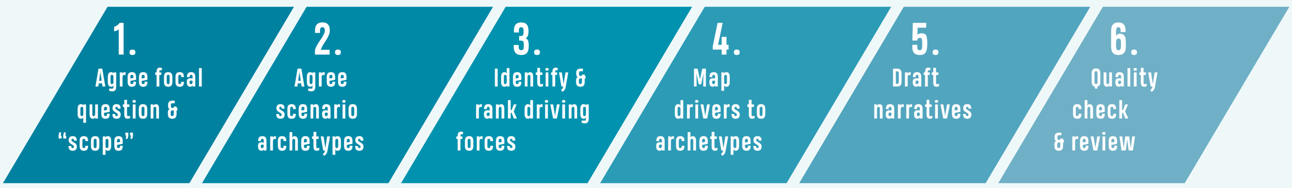


Table 1: Climate Change Scenarios used in AFT's Scenario Analysis

Category	Ambitious and orderly - Net Zero 2050	Delayed / Disorderly transition	Hothouse world
Summary	The world shifts towards a more sustainable and socially inclusive path, which respects environmental boundaries and emphasises human health and wellbeing. With growing recognition that climate change is causing a global health emergency, emissions decline globally from 2025-2050 through the implementation of ambitious and coordinated climate action across countries.	The world follows a path in which social, economic, and technological trends do not shift markedly from current patterns. While global ambition and rhetoric is high, the implementation of climate action is variable across countries.	With resurgent nationalism around the world, policies shift over time to become increasingly oriented towards domestic and regional priorities. There is declining public investment in health and education, with countries focusing on achieving their own energy, water and food security at the expense of international cooperation.
Severity of physical climate impacts	Lowest (but not none)	Moderate to high	Highest
Severity of transition-related impacts	Moderate (greatest in short-term)	Low initially, then very high	Lowest (steadily increasing, but also giving businesses more time to adapt)
Consumer sentiment	Rapid re-orientation towards sustainable lifestyles, as characterised by a focus on wellbeing and conscious consumption including low carbon and local production.	High levels of rhetoric but limited changes to consumption patterns initially. As wealth disparity increases, high wealth individuals able to access and afford highly specialised products. Low income individuals forced to prioritise basic needs.	Highly material, but high inequality means limited purchasing power for many.
Direct impacts from climate hazards	Extreme weather events, felt most by rural areas including water borne disease. Increased fire risk leading to lower air quality temporarily. Minor increase in distribution and ecology of infectious diseases, water-borne and vector-borne diseases, insects and pests.	The severity, frequency and duration of fire weather increases with drought conditions and increased afforestation. Regular fires lead to declining air quality, particularly in rural communities, which increases the incidence of respiratory disease between 2050-2100.	Frequent wildfires impact air and water quality causes an increased number of hospitalisations due to asthma and respiratory diseases. Rise in extreme heat events throughout the century. Vector borne diseases also affected – new species establish in NZ and cause outbreaks.

Category	Ambitious and orderly - Net Zero 2050	Delayed / Disorderly transition	Hothouse world
Financial impact of supply chain disruptions	Lowest	High – fuel price shocks and impacts from extreme weather events.	Frequent extreme events, regular shortages. Drives move towards Australasian production in pharmaceuticals.
Policy reaction to climate change	Immediate and smooth (well signalled)	Delayed, abrupt and onerous.	Uncoordinated and reactive, focused on adaptation rather than mitigation.
Regional policy variation	Low	High, gap between developed and developing countries on action.	High, focused on domestic priorities and regional rivalry.
Socioeconomic context	Income inequalities reduced, both in NZ and between countries.	Erosion of public services, increase in poverty, increase in traditional healing practices due to this.	High levels of inequality, breakdown in social cohesion.
Global warming	2040-2060: 1.6°C, 2081-2100: 1.4°C	2040-2060: 2.0°C, 2081-2100: 2.7°C	2040-2060: 2.1°C, 2081-2100: 3.6°C
Carbon price	1.3°C	2025: $tbc, 2050: $250tCO2e	3.0°C
Global GDP per capita by 2050	2025: $81tCO2e, 2050: $250tCO2e	Highest (equal to Net Zero 2050)	2025 & 2050: no change
NZ GDP impact	Moderate GDP impacts	Moderate/high GDP impacts	High GDP impacts
NZ population	2025: 5.22m, 2050: 6.13m	2025: 5.22m, 2050: 6.13m	2025: 5.25m, 2050: 6.93m
Percentage NZ >65	2025: 20%, 2050 23.3%	2025: 17.5%, 2050 23.3%	2025: 17.6%, 2050 21.4%

Timeframes

The Healthcare sector-level scenarios' short, medium and long term time horizons spanned to 2100, to align with projected climate physical impacts over this period. Our entity level time horizons align with our strategic planning horizons and financial decision-making, as defined in Table 2.

Table 2: Time horizons

Short-term	Less than 1 year (aligned with stock planning and budget cycles)	Managing any physical disruption from extreme weather events. Putting in place climate change plan to manage emissions and physical and transition risks.
Medium-term	Next 1- 3 years (aligned with supplier and manufacturing management)	Monitor possible transitional risks. Monitor and mitigate any climate-related risks relating to manufacturing and distribution, through strategy, risk management process and contingency planning.
Long-term	Next 3 – 10 years (aligned with AFT strategy and product development cycles).	Monitor and manage any transitional risks (which may accelerate depending on context).
		AFT continues to mitigate the impacts of potential physical risk (which may become more pronounced) and may need to evolve in response.
Very Long-term	Next 11 – 75 years (aligned with scenario timeframes)	Focus on the continued mitigation of physical risks resulting from climate change, such as sea level rise, frequent extreme weather events, and permanent changes in temperature patterns.

To prioritise the severity of the risks and opportunities present under a particular scenario, we evaluated their likelihood and consequence, where 'likelihood' assessed the speed of onset, or the time the risk or opportunity was expected to be first experienced (in the short, medium, long term, or very long term – Table 2) and 'consequence' related to the potential financial, regulatory, operational, staffing and/or customer impacts on AFT. This consequence scale is the same as AFT's current consequence scale used to evaluate the impact of all other risk types. Opportunities were analysed using the same method under each scenario, where the consequence on the business was positive.

Table 3: AFT's risk assessment matrix

Key				
Severe/catastrophic	Very high	High	Medium	Low
Major	High	High	Medium	Low
Moderate	Medium	Medium	Low	Low
Minor	Low	Low	Low	Very low
Insignificant	Very low	Very low	Very low	Very low
	Short term (<1)	Medium term (1-3 years)	Long term (3-10 years)	Very long term (11-75 years)

Anticipated climate-related risks and opportunities

The anticipated climate-related risks and opportunities identified under each scenario are summarised in Tables 4 and 5. The results of the assessment indicate that climate change presents a relatively low-risk profile for AFT. The most material rating was medium for the following risks:

- Physical risk: In a hothouse scenario, increased severity of extreme weather resulting in interruption to manufacturing/increased interruptions /outages to freighting and damage to/loss of sites.
- Transition risk: In a hothouse scenario, transition to lower emissions /more efficient technology, impacting the speed of supply of low carbon technology, as well as the potential for misalignment of medical regulation and climate regulation requirements.

Table 4: Anticipated climate - related risks

Type	Issue	Risk	Ambitious & orderly				Delayed & disorderly				Hothouse world			
			Short term	Medium term	Long term	Very long term	Short term	Medium term	Long term	Very long term	Short term	Medium term	Long term	Very long term
Physical	Increased severity of extreme weather	Interruption to manufacturing												
		Loss of products												
		Staff unable to get to work/travel (inc reps)												
		Increased interruptions/outages to freighting												
		Interruption to supply of raw materials												
		Damage to/loss of sites												
	Changes to mean temp, weather patterns	Stability of products at different environmental conditions, availability of ingredients												
		Higher HVAC requirements												
		Ability to achieve GMP (good manufacturing practice)												
		Access to water for production												
		Risk of ICH guidelines changing to higher temp testing												
Transitional	Increased climate reporting requirements	Not meeting increased obligations (including legislated) for reporting												
		Requirement to reduce emissions and cost of doing so												
		Risk of not achieving targets, carbon pricing and tariffs												
	Changing regulatory and drug buyer requirements	Changes to regulator (FDA/Medsafe/TGA) requirements.												
		Changing supplier contracts/tender requirements to include sustainability												
		Changing needs of healthcare systems												
	Reputational risk and changing consumer expectations	Consumers favouring organisations with strong ESG/social license to operate												
		Expectations to provide appropriate health solutions												
		Talent attraction and retention												
	Transition to lower emission/ more efficient tech	Speed of supply of lower carbon technology												
		Costs to transition												
		Misalignment of medical regulation and climate regulation/requirements												
		Changes in operating parameters - eg slower shipping, sales routes with electric chargers												
	Changing finance and investor requirements	Less access to capital/higher cost of finance if not taking enough climate action												
		Investors demanding ESG performance												
		Costs of insurance/ability to access insurance												

Table 5: –Anticipated climate-related opportunities

Type	Issue	Risk	Ambitious & orderly				Delayed & disorderly				Hothouse world			
			Short term	Medium term	Long term	Very long term	Short term	Medium term	Long term	Very long term	Short term	Medium term	Long term	Very long term
Physical	Increased severity of extreme weather	Acute increased demand due to weather events												
Physical	Changes to mean temp, weather patterns	New opportunities due to increased pollution and vector borne diseases												
Transitional	Increased climate reporting requirements	Ability to operate in environments with fewer competitors												
Transitional	Increased climate reporting requirements	Access to supportive policy incentives												
Transitional	Changing regulatory and drug buyer requirements	First mover advantage												
Transitional	Changing regulatory and drug buyer requirements	New emerging markets												
Transitional	Reputational risk and changing consumer expectations	Employee retention												
Transitional	Reputational risk and changing consumer expectations	Meet/exceed consumer expectations												
Transitional	Transition to lower emission/ more efficient tech	Ability to meet carbon targets												
Transitional	Transition to lower emission/ more efficient tech	Reduction in operational expenditure												
Transitional	Transition to lower emission/ more efficient tech	More efficient manufacturing and distribution												
Transitional	Changing finance and investor requirements	Ability to access new finance streams including sustainability linked loans, low emissions capital funds												

Climate related risks and opportunities and capital planning

AFT's primary focus during capital deployment is research and development (R&D) phases for products. As such, climate-related risks and opportunities are not currently being used as inputs for AFT's capital deployment and funding decision-making processes.

AFT completed a base-year GHG emissions measurement in FY24 and further work in FY25 will investigate the financial impact of its material climate-related risks and opportunities. Once these impacts have been quantified, climate-related risks and opportunities will be further considered.

Portfolios, geographies, sector or asset-specific exposure

AFT operates across multiple geographies and legal jurisdiction. While all geographies were thought to be exposed to both physical and transitional risks, the exact nature and extent of the impact will vary across different geographies. The scenario assessment undertaken for this FY24 disclosure did not investigate risk at a geography specific level. Our FY25 assessment will consider this further using a fit-for-purpose approach.

Transitioning to a climate resilient future

The first step in AFT's transition towards a low carbon business model has been to establish a baseline measure of our greenhouse gas emissions. Our Scope 1 and 2 emissions have been disclosed on page 117 and we are in the process of measuring our Scope 3 emissions, which will be disclosed in the FY25 disclosure.

We have established science-aligned targets for our Scope 1 and 2 emissions, consistent with limiting global warming to 1.5 degrees Celsius. We are now developing our emissions reduction plan, which will provide a roadmap to achieve our emissions targets.

Risk Management

AFT undertook scenario analysis to identify and assess the scope, size and impact of its climate-related risks and opportunities. We identified the broadest range of potential climate risks and opportunities that could plausibly impact our business under all scenarios. We then used the scenario-specific narratives to explore the relevance of each risk or opportunity and whether it may worsen or improve under the respective scenarios. No part of AFT's value chain was excluded from its climate related assessment.

Process for prioritising climate-related risks relative to other types

In identifying its current and potential climate related risks, AFT recognised that many of the risks were interconnected to existing risks being managed through its risk register. AFT has used the same thresholds to assess its climate-related risks as its other risks, and so can directly measure and prioritise climate related risks relative to its other risks.

As a result, risks that were identified as material (rated medium or higher) to AFT were incorporated into its existing risk register, either separately or as input to existing risks on the register. The management response to our material risks is described in Table 6.

AFT will repeat the scenario analysis exercise on an annual basis, regularly monitor key indicators/inputs and update its risk management framework accordingly.

Table 6: Material risks and mitigation strategies

Risk Type	Issue	Risk	Management Actions
Physical	Increased severity of extreme weather	Interruption to manufacturing	Manufacturing strategy, contingency planning, risk management process
		Increased interruptions/outages to freighting	Supply chain strategy, contingency planning, risk management process
		Damage to/loss of sites	Manufacturing strategy, contingency planning, risk management process
Transitional	Transition to lower emission/ more efficient tech	Speed of supply of lower carbon technology	GHG emissions management plan and decarbonsation strategy.
		Misalignment of medical regulation and climate regulation/ requirements	Monitoring regulatory environment, engaging regulators, R&D strategy.

Metrics and Targets

GHG emissions

In FY24, AFT reports on its Scope 1 and 2 emissions. AFT's total Greenhouse Gas emissions Scope 1 and 2 emissions for the period ending March 31 2024 were approximately 350.33 tonnes of carbon dioxide equivalent (tCO_2e). AFT's Scope 1 and 2 emissions intensity is 1.87 tCO_2e per $Million Revenue.

Table 7: AFT's GHG emissions

Category (ISO 14064-1:2018)	Scopes (ISO 14064-1:2006)	2024
Category 1: Direct emissions (tCO_2e)	Scope 1	331.76
Category 2: Indirect emissions from imported energy (location-based method*) (tCO_2e)	Scope 2	18.57
Total direct emissions (tCO_2e)		**331.76**
Total indirect emissions* (tCO_2e)		**18.57**
Total gross emissions* (tCO_2e)		**350.33**
Category 1 direct removals (tCO_2e)		0.00
Purchased emission reductions (tCO_2e)		0.00
Total net emissions (tCO_2e)		**350.33**

*Emissions are reported using a location-based methodology.

Industry-based metrics

Table 8: AFT's Industry based metrics

Category	Scope	Consumption
Regular petrol (L)	1	125,648.71
Premium petrol (L)	1	15,201.7
Diesel (L)	1	1,115.99
HFC-134A refrigerant (kg)	1	0.44
Electricity (kWh)	2	117,787

Table 9: AFT's GHG reporting methodology

Detail	Approach
Measurement period	1st April 2023 to 31st March 2024 (FY 24)
Base period	1st April 2023 to 31st March 2024 (FY 24)
Assurance	Reasonable assurance issued by Toitū Envirocare
Preparation standard	AFT's GHG emissions inventory has been prepared in accordance with ISO14064-1.
Consolidation approach	AFT has taken an equity share consolidation approach in the preparation of its GHG emissions inventory.
Organisation boundaries	AFT has accounted for all parts of its business outlined in Figure 6. This is aligned with AFT's financial accounting boundaries.
Emissions factors and Global Warming Potential (GWP)	All emissions were calculated using Toitū emanage with emissions factors and Global Warming Potentials provided by the Programme. Global Warming Potentials (GWP) from the IPCC fifth assessment report (AR5) are the preferred GWP conversion.
Calculations and uncertainties	A calculation methodology has been used for quantifying the emissions inventory based on the following calculation approach, unless otherwise stated below: Emissions = activity data x emissions factor Where applicable, unit conversions applied when processing the activity data has been disclosed. There are systems and procedures in place that will ensure applied quantification methodologies will continue in future GHG emissions inventories.
Exclusions	AFT has not excluded any emissions sources, facilities, operations or assets from its Scope 1 and 2 emissions inventory.

Table 10: AFT's emissions reduction targets

Target name	Baseline period	Target date	Type of target (intensity or absolute)	Categories covered	Target	Base Year (tCO2e)	KPI	Responsibility	Rationale
Scope 1 Short Term	23-24 Period	2030	Absolute	Scope 1	42% by 2030	332	tco2e	Climate Working Group	Inline with the Science Base Targets for our company
Scope 2 Short Term	23-24 Period	2030	Absolute	Scope 2	42% by 2030	19	tco2e	Climate Working Group	Inline with the Science Base Targets for our company
Scope 1 Long Term	23-24 Period	2050	Absolute	Scope 1	90% by 2050	332	tco2e	Climate Working Group	Inline with the Science Base Targets for our company
Scope 2 Long Term	23-24 Period	2050	Absolute	Scope 2	90% by 2050	19	tco2e	Climate Working Group	Inline with the Science Base Targets for our company

Internal carbon price

AFT does not currently use an internal carbon price. AFT will continue to develop its transition plan in the next reporting year.

Remuneration linked to climate-related risks and opportunities.

Management remuneration is not currently linked to climate-related risk and opportunities nor incorporated into remuneration policies. AFT will consider this further in the future.

Assets or business activities vulnerable to physical and transitional risks

AFT outsources the manufacture and distribution of its products across multiple suppliers and geographies. This diversification, along with other risk management practices, limits climate-related risks. The business activity is subject to the most acute risk if severe weather interrupts the manufacture or distribution of products. This is managed through manufacturing strategy, risk management process, and contingency planning.

Figure 6: AFT's Organisational boundaries

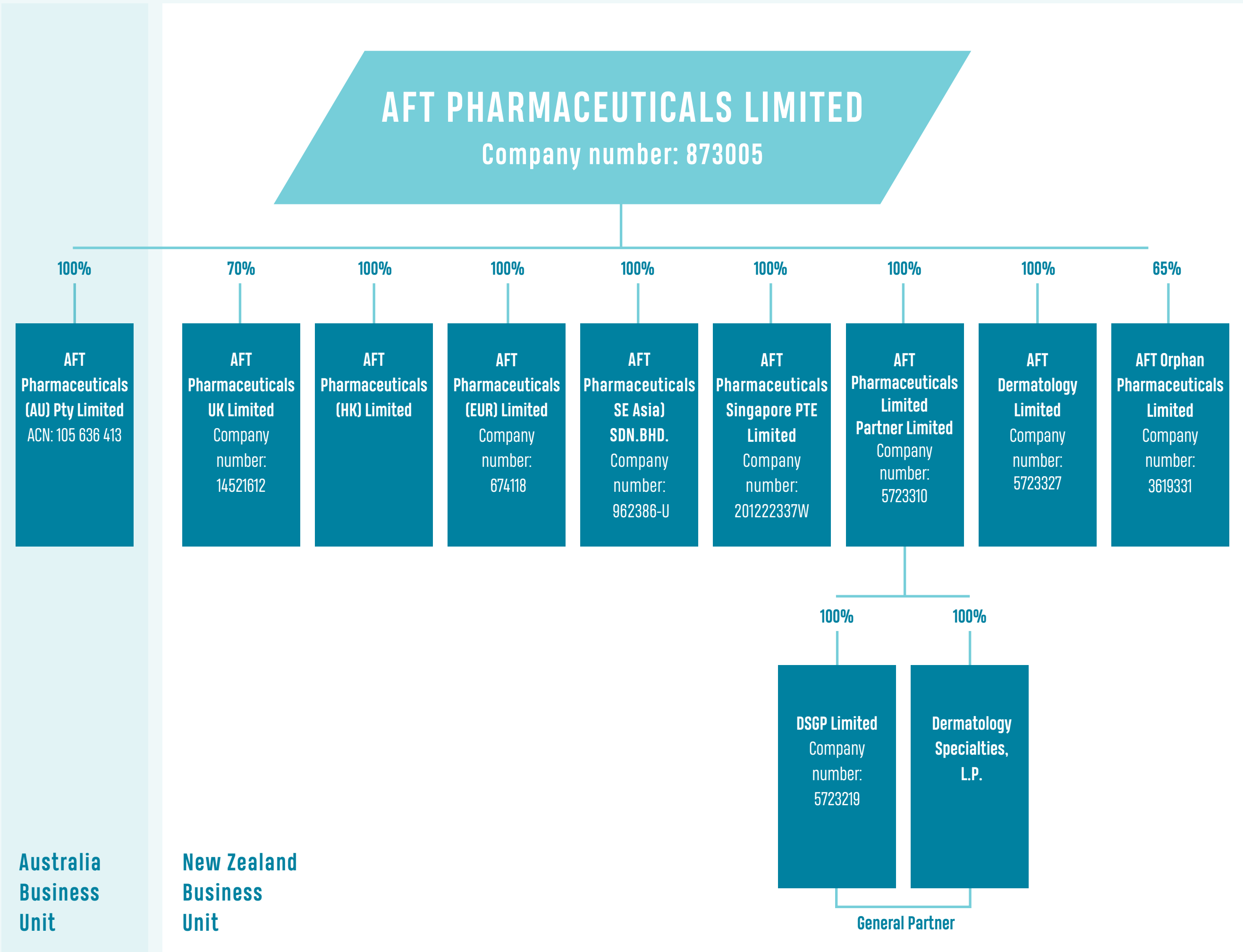


Table 11: AFT's GHG uncertainties and assumptions

GHG emissions category	GHG emissions source or sink subcategory	Overview of activity data and evidence	Explanation of uncertainties or assumptions around your data and evidence	Use of default and average emissions factors
Category 1: Direct emissions and removals	Mobile combustion (incl. company owned or leased vehicles)	Car Average (unknown fuel type), Private Car average (fuel type unknown), Rental Car average (fuel type unknown), Diesel, Petrol premium, Petrol regular	Assumed all supplier reports are accurate and all additional fuel spent has been captured within our internal financial tracking systems. There is a higher level of uncertainty in regard to the spent based data compared to the fuel card report but it represents a smaller proportion. Fuel estimates from commuting was based on staff commuting survey and extrapolated for total number of staff.	The internal claim for fuel process does not yet allow us to export litres of fuel used. Litres are calculated based on Fleetcard average price.
	Leakage of refrigerants	HFC-134a	Assumed manufacture specified refrigerants are accurate.	The most accurate factor options were selected.
Overall assessment of uncertainty for Category 1 emissions and removals		9%	Medium	
Category 2: Indirect emissions from imported energy	Imported electricity	Electricity	Assumed all supplier reports are accurate and electricity usage has been captured.	The most accurate factor options were selected.
Overall assessment of uncertainty for Category 2 emissions and removals		5%	Medium	

Appendix 2

MATERIAL SUSTAINABILITY MATTERS DEFINITIONS:

AFT has built its Sustainability Framework and ESG reporting programme on a robust process of assessing what is material to the company. As a publicly listed company, 'material' matters are those that a reasonable person would consider impacting the company's valuation or the sustainability of our operations.

In line with best practice ESG standards, we also considered those topics that reflect AFT's most significant impacts on the economy, environment, and people.

We have followed a robust process to identify and manage the material sustainability matters. Our definitions of them are set out below.

Definition	Description
Consumer/patient good health	Responsive to customer needs, health sector developments, and tracking consumer trends and purchasing habits. Expanding the range of products aimed at enhancing the health and well-being of consumers. Enhancing the proper use of products by healthcare professionals and patients. Creating business value and social impact through the use of medicines. This topic includes AFT providing products that can provide alternative pain relief to opioids.
Product quality and safety of medicines	Ensuring product safety and quality, including through design, traceability of materials, manufacture, communications, and reporting. Disclosure of safety information. Preventing the distribution of counterfeit drugs. Mitigating the risk of a product recall, liability issues, loss of reputation, and reduced revenue. Relationships with regulators and regulatory compliance.
Product innovation / R&D	Creating innovative medicines and medical solutions in areas with high unmet medical needs. Creating future value for the business. Ensuring R&D and testing are done safely and in compliance with all regulatory requirements. Ensuring the mental and physical health of employees and clinical trial participants. Meeting all animal welfare requirements.
Corporate governance, compliance, and transparency	A commitment to comply with all laws, including competition laws and best practice governance and the recommended governance codes and rules that apply in each region. Monitoring the supply chain for the same. Compliance and transparency also refer to cyber security and privacy. The independence and effectiveness of the Board of Directors are regularly reviewed. Directors understand and monitor ESG strategy, metrics, and performance, including climate-related risks.
Ethical and sustainable supply chains (including environmental and labour standards)	Working with suppliers on sustainability performance and managing risks for AFT's brand and operations. This is across the areas of ethics, labour, environment, health and safety, and management systems. Specifically on labour, this includes compliance with AFT's Modern Slavery policy. On environment, this includes compliance with our Supplier Code of Conduct, which includes water use.

Definition	Description
Ethical business practices (including anti-bribery & corruption, sales and marketing practices, lobbying)	Policies and practices to prevent bribery, corruption, counterfeiting, and conflicts of interest. A culture of openness and support with raising concerns. Ethical marketing - codes of ethics and shareholder transparency.
Employee health, safety, and wellbeing	Ensuring compliance with local health and safety regulations. Emergency and disaster preparedness, safe machinery, equipment and facilities, staff training, biosafety, and protection from hazardous substances and chemicals. Supportive return to work or post-accident policies. Requiring best practices in the supply chain through Supplier Code of Conduct.
Workforce (Diversity and Inclusion, Retaining and Attraction)	Ensuring equal opportunity regardless of race, nationality, gender, sexual orientation, age, religion, or disability, including into positions within management, the Board of Directors. Pay parity assessments are in place. Policies to prevent sexual harassment and workplace bullying, a safe and supportive complaints process, code of conduct, and flexible working. Whistleblowing policy. Policies in place to attract and retain highly skilled employees.
Access to medicines	Ensuring a stable and resilient supply of products to patients. Prioritising R&D in areas of specific need.
Climate change	Climate change mitigation (reducing emissions through the value chain), climate change adaptation (assessing risks to the value chain associated with a changing climate), reporting emissions and climate-related risks, and compliance with regulatory requirements (Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act).
Packaging (consumer and supply chain)	Taking a life-cycle approach to packaging from manufacture to disposal, particularly of supply-chain/distribution packaging, consumer packaging, and hospital packaging.

Directory

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

Registered Offices	Level 1, 129 Hurstmere Road, Takapuna, Auckland 0622, New Zealand. +64 9 488 0232 www.aftpharm.com 113 Wicks Road, North Ryde NSW 2113, Australia. +61 2 9420 0420
Principal Administration Offices	New Zealand: Level 1, 129 Hurstmere Road, Takapuna, Auckland 0622, New Zealand. +64 9 488 0232 Australia: 113 Wicks Road, North Ryde NSW 2113, Australia. +61 2 9420 0420 United Kingdom: 133 Whitechapel High Street, London, UK
Directors – at the date of this Annual Report	Dr Hartley Atkinson Marree Atkinson Anita Baldauf David Flacks Andrew Lane Dr Ted Witek
Share Registrar:	Computershare Investor Services Limited Level 2, 159 Hurstmere Road, Takapuna, Auckland 0622, New Zealand. +64 9 488 8777 enquiry@computershare.co.nz Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3001, Australia. +61 3 9415 4083 enquiry@computershare.co.nz
Auditor	Deloitte Limited, Deloitte Centre, 1 Queen Street, Auckland 1140, New Zealand. +64 9 303 0700
Legal Counsel	Harmos Horton Lusk Level 33, Vero Centre, 48 Shortland Street, Auckland 1140, New Zealand. +64 9 921 4300

Financial Calendar

Annual Meeting	August 2024
Half-year end	30 September 2024
Half-year end results announcement	November 2024
Financial year end	31 March 2025

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AFT pharmaceuticals
Working to improve your health