AFT pharmaceuticals

Working to improve your health

PRODUCT DISCLOSURE STATEMENT

Initial public offering of ordinary shares in AFT Pharmaceuticals Limited

1 December 2015

(This is a replacement Product Disclosure Statement that replaces the Product Disclosure Statement dated 26 November 2015)

FIRST NZ CAPITAL

Arranger and Lead Manager

The issuer under this offer is AFT Pharmaceuticals Limited and the offerors are AFT Pharmaceuticals Limited, and Hartley Atkinson and Colin McKay as trustees of the Atkinson Family Trust.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose, offer number (OFR10331). AFT Pharmaceuticals Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

1. KEY INFORMATION SUMMARY

WHAT IS THIS?

This is an offer of ordinary shares in AFT Pharmaceuticals Limited (**AFT**). Ordinary shares in AFT (**Shares**) give you a stake in the ownership of AFT. You may receive a return if dividends are paid or AFT increases in value and you are able to sell your Shares at a higher price than you paid for them.

If AFT runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

ABOUT AFT

AFT is a growing multinational pharmaceutical business with a broad range of products, both developed itself and in-licensed from third parties. AFT's products cover all major pharmaceutical distribution channels: over-the-counter, prescription and hospital.

To date, we have sold our products principally in our home markets of Australia and New Zealand. We have also recently begun selling products through our sales force and third party distributors in Southeast Asia, as well as certain of our key innovative products globally through licensees and distributors.

We are focussed on growing our revenues and earnings through (i) continued growth of our existing business in Australia and New Zealand (ii) growing our new business in Southeast Asia, and (iii) continuing development and introduction of our key innovative products to sell in our home markets and in global markets through licensees and distributors.

PURPOSE OF THIS OFFER

The purpose of the Offer is primarily to raise capital for AFT to fund further growth and to enable the Selling Shareholder (Hartley Atkinson and Colin McKay as trustees of the Atkinson Family Trust) to realise a portion of its investment. The Offer comprises an offer by AFT of $30.2 million of new Shares plus oversubscriptions of up to $4.0 million of new Shares (as determined by AFT), and an offer by the Selling Shareholder of $3.0 million of existing Shares. New capital raised will be used predominantly to accelerate the timeline of bringing AFT's key innovative products to market.

The Offer is also expected to benefit AFT by providing it access to capital markets and increasing its profile with customers.

See Section 3 (*Purpose of the Offer*) for further information.

KEY TERMS OF THE OFFER

Description of the shares	Ordinary shares in AFT	
Price	$2.80 per Share	
Broker Firm Offer and Priority Offer opens	Friday 4 December 2015	
Priority Offer closes	Wednesday 16 December 2015 (5.00pm)	
Broker Firm Offer closes	Thursday 17 December 2015 (5.00pm)	
Allotment Date	Monday 21 December 2015	
Expected commencement of trading on the NZX Main Board and ASX	Tuesday 22 December 2015	
	Excluding oversubscriptions	*Including oversubscriptions*
New Shares offered by AFT	10.8 million	12.2 million
Shares being offered by the Selling Shareholder	1.1 million	1.1 million
Total number of Shares being offered	11.9 million	13.3 million
Total number of Shares on issue on completion of the Offer	96.0 million	97.4 million
Shareholding the Shares being offered will represent following the Offer	12.4%	13.6%
Liabilities, fees and charges	If you sell your Shares, you may be required to pay brokerage or other sale expenses. You may also be liable for tax on the sale of your Shares. You should seek your own tax advice in relation to your Shares.	

The above Offer terms assume the Offer is fully subscribed and are based on the following occurring before the allotment of Shares under the Offer: (i) AFT's preferred shares on issue at the date of this document automatically converting into Shares on a one-for-one basis and (ii) AFT undertaking a 62 for 1 Share split. Further information on AFT's preferred shares, their conversion and the share split is set out in Section 2 (*AFT and what it does*) under the heading *"Equity securities of AFT"*.

The above dates are indicative only and may be changed by AFT.

HOW YOU CAN GET YOUR MONEY OUT

AFT intends to quote these Shares on the NZX Main Board and ASX. This means you may be able to sell them on the NZX Main Board and ASX if there are interested buyers. You may get less than you invested. The price will depend on the demand for the Shares.

KEY DRIVERS OF RETURNS

The key current and future aspects of AFT's business that have, or may have, the most impact on its financial performance, and the key strategies and plans for those aspects of the business, can be summarised as follows:

CURRENT AND FUTURE ASPECTS OF AFT'S BUSINESS WHICH DRIVE FINANCIAL PERFORMANCE	KEY STRATEGIES AND PLANS
Out-licensing of key innovative products: Accessing licensees' networks and expertise in overseas markets where AFT does not have a physical presence to speed up the rate of geographical expansion of our business.	Initially, we intend to focus on *Maxigesic* tablets. We are now processing the first *Maxigesic* tablet licensee orders for six EU country markets and we are targeting *Maxigesic* tablets to be sold by AFT and our licensees and distributors in over 50 countries by late 2017. We are also in discussions to license the development and commercialisation rights for *Maxigesic* to target up to a further 50 countries.
Development and registration of products: Getting products developed and registered so they can be commercialised for sale by our sales teams and/or our licensees or distributors.	Certain of our key innovative products are at varying stages of registration throughout the world and we intend to continue the required approval processes to allow us to sell those products in over 100 countries by the middle of 2018. Certain other of our key innovative products have further development work including clinical studies to complete before we can bring them to market. We intend to use the capital raised from the Offer to accelerate their development.
Device commercialisation: The *SURF* Nebuliser will expand our product portfolio as our first medical device. The primary income driver for the *SURF* Nebuliser will be an inbuilt pay-per-use feature. Users will prepay for a multiple number of uses on a RFID (radio frequency identifier) chip that is inserted into the device to activate each drug treatment. Income will also be derived from margins on sale of the device units and consumables.	Working device models for the *SURF* Nebuliser have been produced and the device is entering pilot scale manufacture in early 2016. We intend to use the capital raised from the Offer to fund clinical trials for the device and file for device registration in 2016 and initiate sales for chronic sinusitis in early 2017.
In-licensing: We have successfully completed the in-licensing of numerous products over the past few years which has expanded our product portfolio, including for example the in-licensing of *Femme-Tab*.	We will continue to in-license new products, primarily in our home markets of Australia and New Zealand, as well as our Southeast Asian markets. In the first half of FY2016, we have concluded three significant in-licensing agreements for Australia and New Zealand.

You should also read Section 2 (*AFT and what it does*) and Section 7 (*AFT's Financial Information*) for more information.

KEY RISKS AFFECTING THIS INVESTMENT

Investments in shares are risky. You should consider if the degree of uncertainty about AFT's future performance and returns is suitable for you. The price of these Shares should reflect the potential returns and the particular risks of these Shares. AFT considers that the most significant risk factors that could affect the value of the Shares are:

- **Development of key innovative products:** We are currently completing the development of our key innovative products and line extensions to certain of those products which we expect to be key drivers of the global expansion of our sales. These development efforts may not be successful, or may take longer and be more expensive than expected, and as a result our investment in those products may be delayed or lost. Any failure or significant delay in the development of one or more of our key innovative products or line extensions may have a material negative impact on our financial performance and our ability to deliver on our business plans.
- **Regulatory requirements:** Our products are regulated by government agencies in each territory in which they are sold and must be approved by those agencies prior to commercial sale. If we are unable to obtain the approvals required for our new products or in new territories, or current approval requirements for our existing products change, this could impair our ability to grow and adversely affect our business and operations, which may have a material negative impact on our financial performance and our ability to achieve our business plans.
- **Competition:** The pharmaceutical industry in which we operate is intensely competitive and includes companies with significantly greater financial, human, research and development and marketing resources than us. There is a risk that our competitors may discover, develop or commercialise products before or more successfully than us, or choose to compete aggressively with us on price to capture market share. Any significant competitive threat to one or more of our key innovative products, to which we are unable to effectively respond, could result in adverse effects on revenue, margins and profitability, which could have a significant negative impact on our financial performance and our ability to achieve our business plans.
- **Intellectual property protection:** We rely on a combination of patents and trade secrets to protect the intellectual property in our products. If our patent and trade secret rights fail to prevent one of our competitors from developing and commercialising a product similar or functionally equivalent to one of our key innovative products such as *Maxigesic*, *Crystaderm* or the *SURF* Nebuliser, it may have a significant negative impact on our financial performance and our ability to achieve our business plans.
- **Intellectual property infringement:** If a competitor or other third party accuses us of infringing its intellectual property rights or if a third party commences litigation against us for the infringement of their intellectual property rights, we may incur significant costs in defending such action, even if we are successful. If we are found to have infringed a third party's intellectual property rights, we may be required to obtain a licence or redesign or withdraw the affected products or make potentially substantial payments including for legal fees and settlement payments, which may have a significant negative impact on our financial position and financial performance.

This summary does not cover all of the risks of investing in these Shares. You should also read Section 8 (*Risks to AFT's Business and Plans*).

WHERE YOU CAN FIND AFT'S FINANCIAL INFORMATION

The financial position and performance of AFT are essential to an assessment of this Offer. You should also read Section 7 (*AFT's Financial Information*).

There is no prospective financial information in this document.

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DIRECTORY inside back cover

DEFINITIONS AND REFERENCES

Terms used in this PDS, including certain industry terms with which you may not be familiar, have the specific meaning given in Section 13 (*Glossary*). *Italicised terms* used in this PDS denote branded pharmaceutical products of AFT.

Unless otherwise indicated, any references to $ and NZ$ are to New Zealand dollars, US$ are to US dollars, A$ are to Australian dollars and to dates and times are to dates and times in New Zealand.

LETTER FROM THE CHAIRMAN AND THE FOUNDER

David Flacks
Chairman

Hartley Atkinson
Founder and Chief Executive Officer

DEAR INVESTOR

On behalf of our board of directors and management team, we are pleased to invite you to become a shareholder in our growing multinational pharmaceutical company, AFT Pharmaceuticals.

Established over 18 years ago, we have grown our operating revenue each year with a CAGR of 21% over the last 10 years. Our early growth was driven by sales in New Zealand. We started selling in Australia in 2005, where our operating revenue CAGR has been 48% over the last 10 years.

While we are currently predominantly an Australia and New Zealand based business, we are well positioned to expand our sales to Southeast Asia and globally, particularly with our key innovative products. These key innovative products include:

- *Maxigesic*, which has achieved a 6% market share in the New Zealand pharmacy analgesic market. It is currently sold in New Zealand, Australia and the UAE and we are working to roll out sales globally through licensees and distributors. In addition to its current tablet form, we are completing line extensions for *Maxigesic* which will further add to this potential.
- *Maxiclear PE*, a cold & flu treatment, which followed a discovery by us during research that was subsequently published in a prestigious leading medical journal, *The New England Journal of Medicine*.[1] Our first *Maxiclear PE* registration has been achieved as well as our first licensing deal in four European countries.
- *SURF* Nebuliser, a drug delivery system for treatment of nasal diseases such as chronic sinusitis and intranasal drug delivery as an alternative to intravenous and oral drug delivery. The working prototype has been successfully developed, is in manufacture and about to enter clinical studies.

[1] Atkinson HC, Stanescu I, Anderson BJ. Increased Phenylephrine Plasma Levels with Administration of Acetaminophen [Letter to Editor]. N Engl J Med 2014; 370(12):1171-2.

The principal reason for the Offer is to enable us to accelerate bringing these products to global markets together with the ongoing expansion of our home market sales. We have built an experienced development and regulatory team which we believe will enable us to deliver these products to market.

AFT has always stood for selling products that we genuinely believe will improve the health of our end consumers. Examples include *Maxigesic* which offers an alternative to addictive opioid combination analgesics, and *Crystaderm* which avoids topical antibacterials that are associated with antibiotic resistance problems. Our development strategy is to avoid the higher risk drug development of new chemical entities by improving on existing treatments which we believe offer plenty of scope for clinically meaningful advancements.

We have carefully built a strong management team and board that has extensive experience in the key skills required including pharmaceutical development and overseas business experience. We also believe that we are taking a prudent approach that utilises established licensees and distributors to avoid AFT setting up multiple sales offices. We are excited, and passionately believe in our goal of taking AFT global.

The pharmaceutical industry offers attractive fundamentals of long-term continual growth and consumer demand which are largely unaffected by economic conditions. This was particularly evident to us during the global financial crisis period when our sales growth continued unabated.

As the founder and CEO, Hartley Atkinson will maintain a significant stake in the business so he is highly motivated to succeed with his interests aligned with both existing and new shareholders.

We encourage you to carefully read and understand Section 8 (*Risks to AFT's Business and Plans*) before considering an investment in AFT Pharmaceuticals. We look forward to you joining our exciting journey as a shareholder.

Yours sincerely

David Flacks
Chairman

Hartley Atkinson
Founder and
Chief Executive Officer

2. AFT AND WHAT IT DOES

BUSINESS OVERVIEW

Business description

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.

Our business model is to develop and in-license products for sale by our own dedicated sales teams in our home markets of Australia and New Zealand and in certain Southeast Asian markets, and to out-license our products to local licensees and distributors in other Southeast Asian markets and the rest of the world. Consistent with pharmaceutical industry practice, we generate revenue primarily through the sale of products by us and through royalties received from our out-licensing and distribution arrangements. For more information on how we generate revenue, refer to Section 7 (*AFT's Financial Information*) under the heading "*A summary of how we generate revenue*".

We are well established in Australia and New Zealand and are currently expanding into Southeast Asia and the rest of the world through a network of licensees and distributors. We believe this out-licensing strategy offers significant growth potential.

We are currently a loss-making business. For more information on our recent financial performance and position, refer to Section 7 (*AFT's Financial Information*) under the heading *"Review of Financial Performance and Position"*.

AFT TIMELINE

1997 — *Sep 1997* AFT founded by Dr Hartley and Marree Atkinson

1998 — *Aug 1998* First OTC products commence sales in New Zealand

2004 — Development of *Maxigesic* commences

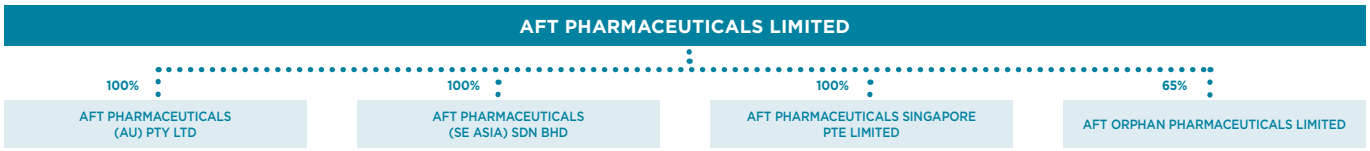
2005 — Sales of AFT products in Australia commence

2008 — 63 products now sold across Australia and New Zealand by AFT

2009 — *Late 2009* *Maxigesic* registered in New Zealand and sales commence October 2009

AFT Group structure

The following structure chart shows AFT and its material subsidiaries:



AFT is the main operating company of the Group and undertakes all sales and marketing operations in New Zealand. AFT is also responsible for all new product development as well as the entry into of out-licensing and distribution arrangements for our products in markets outside of New Zealand, Australia, Malaysia and Singapore.

AFT Pharmaceuticals (AU) Pty Ltd, AFT Pharmaceuticals (SE Asia) SDN BHD and AFT Pharmaceuticals Singapore Pte Limited undertake the sales and marketing operations of the Group in Australia, Malaysia and Singapore respectively.

AFT Orphan undertakes the identification of orphan drug products for development and commercialisation by AFT in Southeast Asia. Orphan drug products identified by AFT Orphan, which currently include *Fibroleve* and three other orphan drug products, are developed and commercialised by AFT (or its licensees), with the profits from commercialisation accruing to AFT Orphan. The remaining 35% of AFT Orphan is owned by interests associated with Giles Moss, an independent contractor who provides services to AFT in Southeast Asia.

AFT also holds a 50% interest in Dermatology Specialties, L.P. and its general partner DSGP Limited, a joint venture with Medicas Group LLC to develop and commercialise *Pascaderm*. This joint venture is further described in this section under the heading *"Pascaderm"*.

2013

Late 2013
Maxigesic registered in Australia and sales commence February 2014

2013

Late 2013
AFT makes a unique discovery of paracetamol and phenylephrine drug interaction which is published in a prestigous leading medical journal, *The New England Journal of Medicine*

2014

Mid 2014
Sales of AFT products in Southeast Asia commence

2015

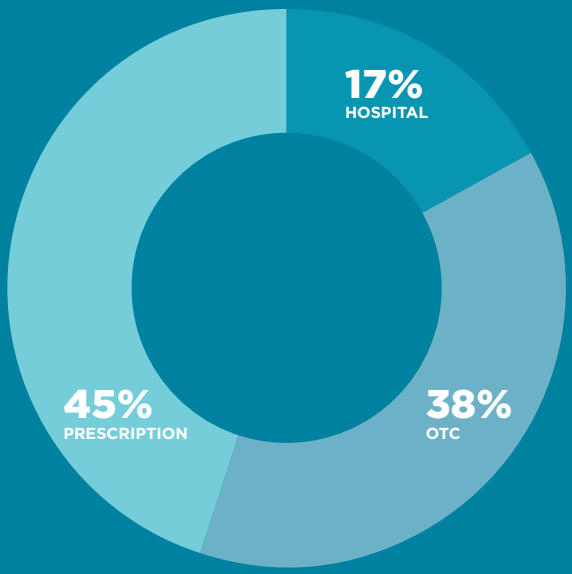
109 products now sold across Australia and New Zealand by AFT

2015

Maxigesic registered in 15 countries, including Italy, the UK and Singapore and filed for registration in a further 20 countries

AFT: AT A GLANCE

AFT pharmaceuticals

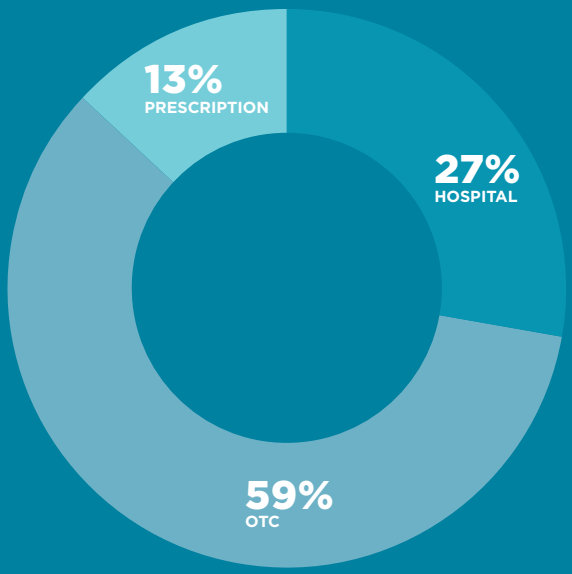
	NEW ZEALAND
GROUP OPERATING ENTITIES	AFT Pharmaceuticals Limited
NUMBER OF PRODUCTS	**102**
FY2015 OPERATING REVENUE (% OF TOTAL FY2015 OPERATING REVENUE)	**$29.4M** (52.3%)
DISTRIBUTION CHANNELS (BY FY2015 OPERATING REVENUE)	
SALES CHANNELS	AFT sales team, supported by wholesalers Hospital tenders
KEY CUSTOMERS WITHIN MARKET	Consumers purchasing without prescription through pharmacy chains (e.g. Green Cross Health), independent pharmacies, and grocery (e.g. Countdown and Foodstuffs) Individual healthcare professionals who write prescriptions – certain products are subsidised by PHARMAC Public and private hospitals
STRATEGY	Continued introduction of new products and product line extensions

AUSTRALIA

AFT Pharmaceuticals (AU) Pty Ltd

45

$26.3M (46.8%)



AFT sales team, supported by wholesalers

Hospital tenders

Consumers purchasing without prescription through pharmacy chains (e.g. Chemist Warehouse) and independent pharmacies

Individual healthcare professionals who write prescriptions – certain products are subsidised by the PBS

Public and private hospitals

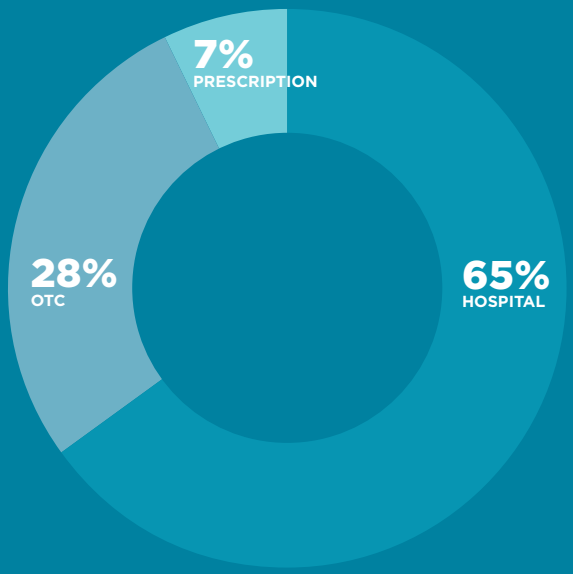
Continued introduction of new products and product line extensions

REST OF WORLD

AFT Pharmaceuticals (SE Asia) SND BHD
AFT Pharmaceuticals Singapore Pte Limited
AFT Pharmaceuticals Limited[2]

12

$0.5M (0.9%)



AFT sales team and third party distributors in Southeast Asia

Third party licensees and distributors in other markets

Consumers purchasing without prescription through pharmacies

Individual healthcare professionals who write prescriptions

Public and private hospitals

Southeast Asia: Selected introduction of products from current Australia/New Zealand product portfolio; new offices to be established in Hong Kong and Philippines and elsewhere use of licensees and distributors

Rest of World (excluding Southeast Asia): Expansion of key innovative products through third party licensees and distributors

[2] In markets outside of New Zealand, Australia, Malaysia and Singapore, AFT's products are sold by third party licensees and distributors under out-licensing and distribution agreements entered into by AFT.

OUR BUSINESS STRENGTHS

01

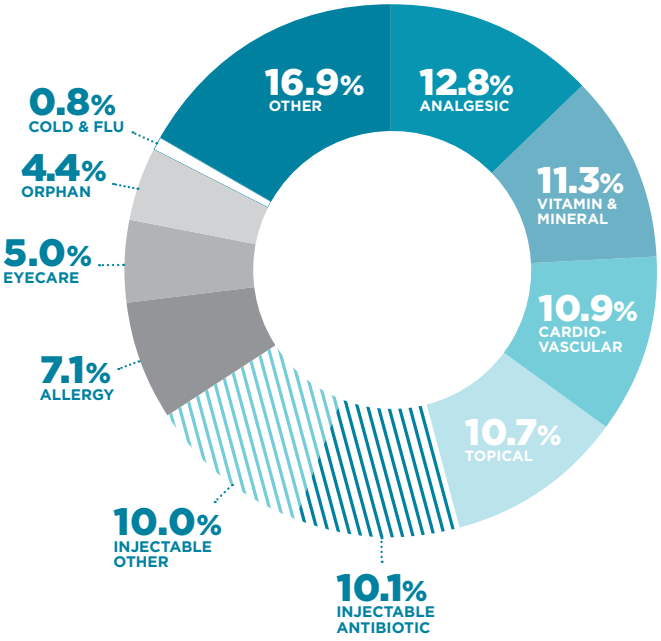
DIVERSE PORTFOLIO OF ESTABLISHED, WELL-RECOGNISED PRODUCTS ACROSS A WIDE RANGE OF THERAPEUTIC CATEGORIES MARKETED TO ALL MAJOR DISTRIBUTION CHANNELS

- We currently market over 100 products, comprising both proprietary products and licensed products. Our products cover a wide range of therapeutic categories and are marketed to all major pharmaceutical distribution channels, reducing our exposure to market changes in any single category.
- No single product contributed more than 9.2% of FY2015 operating revenue.[3]
- Our products include branded and generic drugs that are well-recognised in Australia and New Zealand.

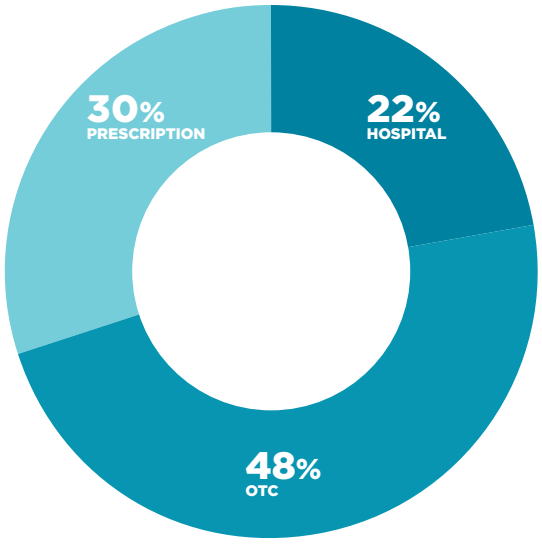
Superior Pain Relief with *Maxigesic*

Maxigesic is the only analgesic that uses a patented 3.3 to 1 paracetamol to ibuprofen ratio formulation, which has demonstrated significantly more pain relief than equivalent daily doses of either paracetamol or ibuprofen alone.[4]

FY2015 OPERATING REVENUE BY THERAPEUTIC CATEGORY



FY2015 OPERATING REVENUE BY DISTRIBUTION CHANNEL



[3] AFT-Metoprolol CR, a product which is used to treat various conditions of the cardiovascular system including high blood pressure, contributed 9.2% of AFT's FY2015 operating revenue.

[4] Merry AF et al (2010) British Journal of Anaesthesia 104 (1): 80–8 (2010), which demonstrated that *Maxigesic* delivered 33% more pain relief than equivalent daily doses of paracetamol alone, and 35.8% more pain relief than equivalent daily doses of ibuprofen alone.

02

ESTABLISHED SALES, DISTRIBUTION AND LICENSEE NETWORKS

- In Australia and New Zealand, our products are sold to:
  - a large majority of hospitals;
  - nearly all pharmacies, including the largest respective pharmacy chains, Chemist Warehouse and Green Cross Health; and
  - all major supermarket chains in New Zealand, including Countdown, New World and Pak-n-Save,

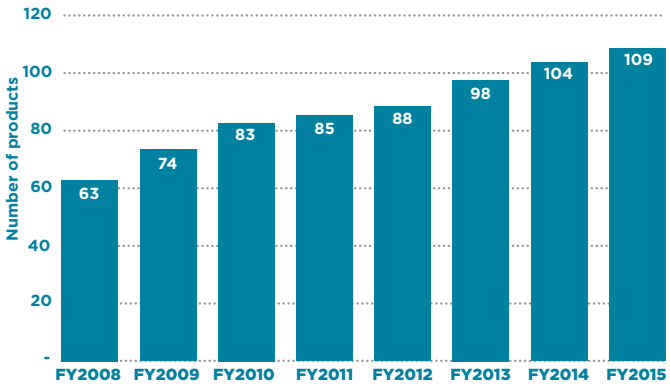
  with customers targeted and supported by our dedicated and experienced sales force of 44.
- In Southeast Asia, customers in Malaysia and Singapore are targeted by our in-market sales teams and in Brunei by our local third party distributor. In Taiwan and Vietnam we have entered into agreements with licensees and distributors to sell our products, and in Hong Kong and the Philippines we are setting up operations as part of a joint venture with a Malaysian multinational manufacturer with affiliates in those countries.
- Beyond Australia, New Zealand and Southeast Asia:
  - We use third party licensees and distributors to leverage their existing networks, knowledge and expertise in the local markets. This approach both minimises our cost and significantly decreases execution risk to establish in these markets.
  - We have appointed a number of leading regional and single country pharmaceutical companies as licensees, including Angelini Pharma in Italy and Turkey and Stada in the UK and Ireland.

03

PROVEN ABILITY TO CONTINUALLY INTRODUCE NEW AND INNOVATIVE PRODUCTS

- We have a track record of introducing new products and product line extensions, having increased the number of different products we sell by 73% between FY2008 and FY2015.

TOTAL NUMBER OF DIFFERENT PRODUCTS SOLD BY AFT



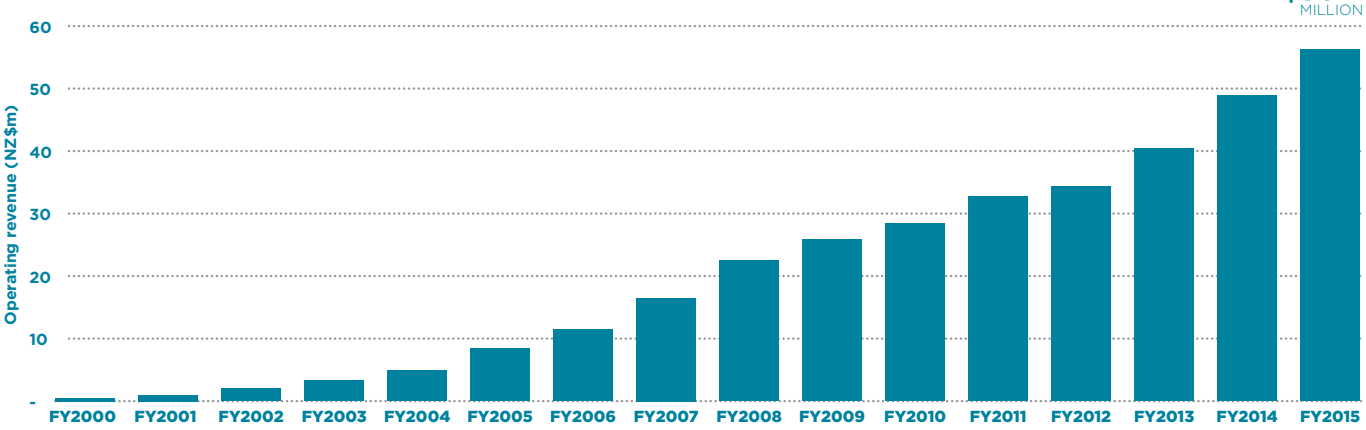
- In FY2015, 27% of our operating revenue came from products launched within the three years prior.
- We have a track record of obtaining regulatory approvals to bring new products to market, with over 25 approvals in both New Zealand and Australia, 8 approvals in Southeast Asia and 11 approvals in the EU received during the past three financial years.
- We focus on development of novel combinations and dose forms of approved drugs and novel delivery systems for approved drugs, rather than attempt to discover new drug ingredients which is costlier and riskier. These developments have considerable sales potential as they are able to be sold in multiple geographies.

04

TRACK RECORD OF STRONG GROWTH ACROSS ALL DISTRIBUTION CHANNELS

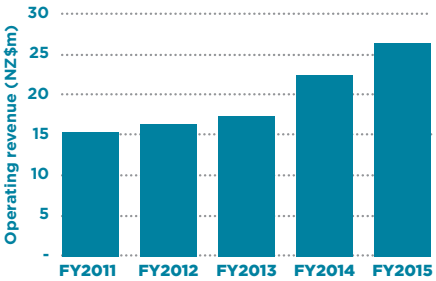
10 YEAR OPERATING REVENUE CAGR TO FY2015 OF 21%

$56.2 MILLION

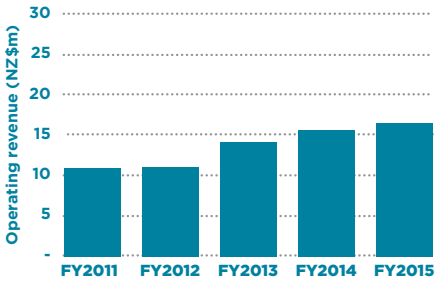


- Operating revenue for 1HFY2016 was $29.5 million representing an 22% increase on 1HFY2015
- Strong growth across each of our distribution channels

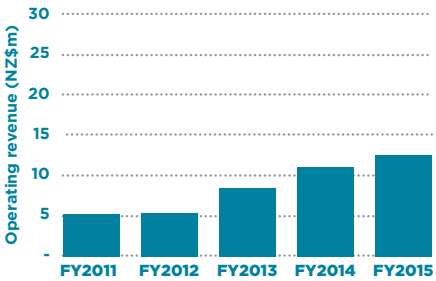
OTC



PRESCRIPTION



HOSPITAL



- Historically, our growth has been primarily funded internally from operating cashflows

Note: Historical financial performance is not a guarantee of future financial performance

05

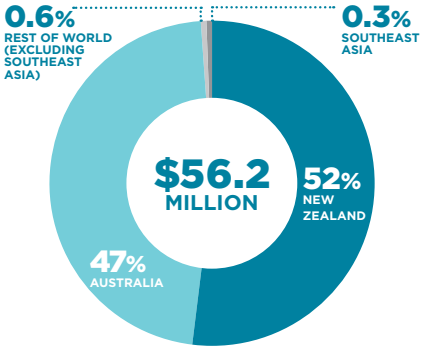
SIGNIFICANT GROWTH OPPORTUNITIES THROUGH GEOGRAPHIC AND PRODUCT EXPANSION

- Several of our most promising products for growth are now entering, or will soon enter, sales channels beyond Australia and New Zealand.
  - We have entered into out-licensing or distribution agreements with third parties for one or more of *Crystaderm*, *Maxigesic, Maxiclear PE, Paracetamol OsteoTab, Zostrix,* Probenecid and the Allergy *Clear* range in over 35 countries.
  - In addition to the global market for paracetamol and/or ibuprofen tablet products which was over US$10 billion[5] in 2014, we expect *Maxigesic* to also compete with the global opioid analgesic market.
- We are targeting that by mid 2018, our products will be sold in over 100 countries. The population of our targeted markets is significantly larger than the population of Australia and New Zealand combined, representing significant growth opportunities alongside the growth of our existing business.

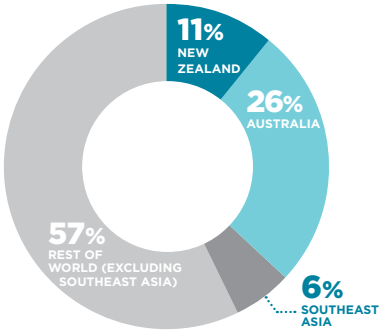
GEOGRAPHIC OPERATING REVENUE BREAKDOWN

FY2010

FY2015



5 YEAR TARGET[6]



We intend to continue to introduce new products and product line extensions that have key points of differentiation from currently available products, such as:

- *Fibroleve*, a drug tailored for treatment of a rare disease in Asian populations, which will allow us to take advantage of a market need in a region with a significant population of increasing wealth.
- *Maxigesic* IV, an intravenous delivery form designed for the treatment of acute severe pain post-operatively in hospitals as an alternative to intravenous opioids or intravenous paracetamol. The development path for *Maxigesic* IV is simplified by virtue of utilising existing *Maxigesic* tablet data.

***SURF* Nebuliser**

We are also expanding our products with our first medical device – the *SURF* Nebuliser, a unique hand held intranasal drug delivery device being developed for:

- treatment of local disease such as chronic sinusitis; and
- delivery of drugs rapidly into the circulation as an alternative to intravenous and oral drug delivery.

The *SURF* Nebuliser will expand our existing hospital and allergy product portfolios, and represents a significant opportunity to us. We are targeting to commence initial sales of the *SURF* Nebuliser to treat chronic sinusitis in early 2017, and for sales generated by the *SURF* Nebuliser to form up to approximately 20% of our total operating revenue in the medium term.[7]

[5] IMS World Review Pack (August 2015).

[6] See Section 7 (*AFT's Financial Information*) under the heading *"No prospective financial information"*.

[7] See Section 7 (*AFT's Financial Information*) under the heading *"No prospective financial information"*.

INDUSTRY

The Pharmaceutical Industry

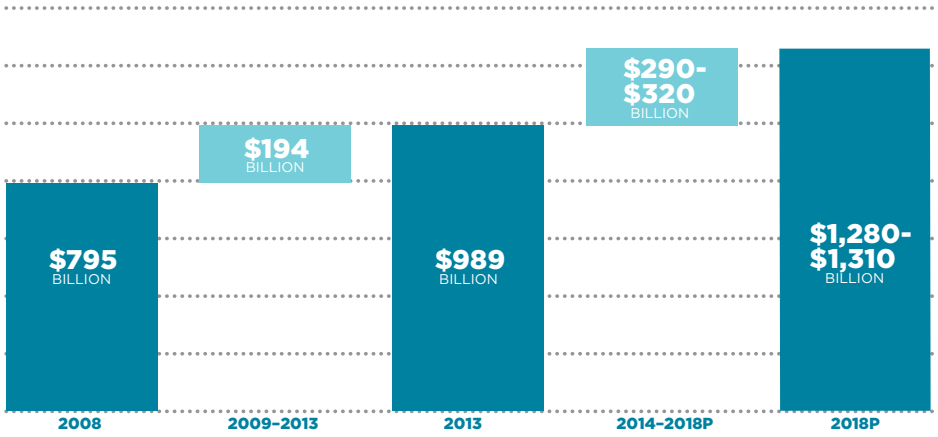
Participants in the pharmaceutical industry develop, produce and market drugs for use as medications across a wide range of uses and treatments. Pharmaceutical companies may deal in generic or branded medications and medical devices. The industry is highly regulated and industry participants are subject to a variety of laws and regulations within each country in which they operate which govern patenting, testing, safety, efficacy and marketing of products.

In general, before a pharmaceutical product can be sold in a particular country, it must be approved or 'registered' by the relevant government agency in that country. Although there are some differences amongst regulators, essentially regulatory systems around the world are broadly aligned. This enables the introduction of a pharmaceutical product into multiple markets without the need for redevelopment work or further clinical testing. Specific local requirements may apply, such as the requirement of many South American markets for data relating to a product to be translated into Spanish.

To have a new drug approved for sale in the US, the world's largest pharmaceutical market, the drug's sponsor first opens and then submits an Investigational New Drug application (**IND**) to the FDA for review. Clinical trials follow, after which the drug's sponsor submits a New Drug Application (**NDA**) to the FDA based on the results of those trials. The FDA then reviews the NDA, which typically takes 9 to 12 months, and either approves or rejects the drug for sale. Further information about the US, New Zealand and Australian pharmaceutical regulatory regimes can be found on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled "Other material information relating to the Offer".

The global pharmaceutical market is projected to grow at 5.3% to 5.8% per annum to up to US$1.3 trillion in sales by 2018, driven by an increase in diagnosis and treatment of chronic conditions, an ageing population in developed markets, and population growth coupled with improved access to healthcare in emerging markets. We believe we are well positioned to take advantage of this projected growth, given our portfolio of key innovative products and our out-licensing strategy to partner with parties that have an established market presence in their own local markets.

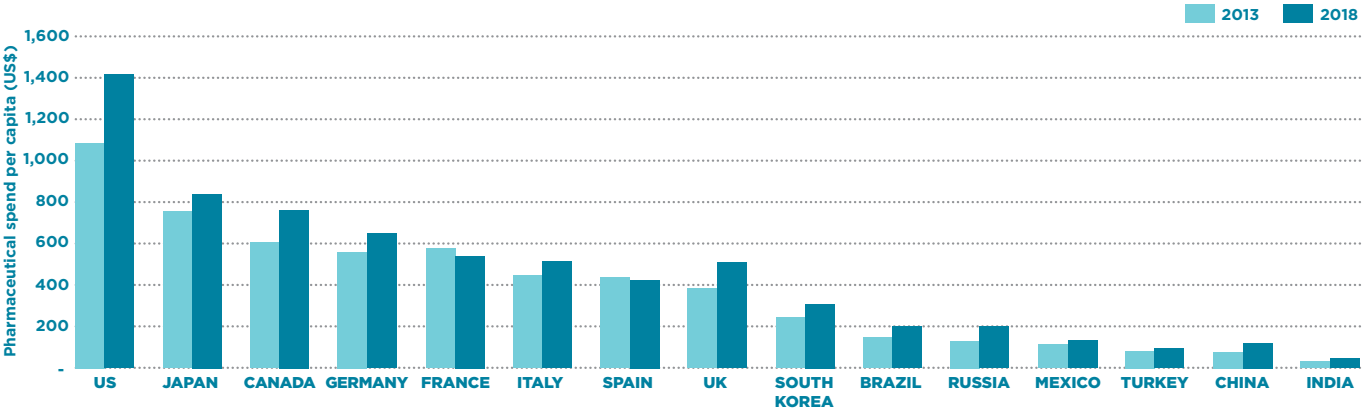
GLOBAL PHARMACEUTICAL SPENDING AND GROWTH, 2008 – 2018P (US$)[8]



[8] IMS Institute for Healthcare Informatics, November 2014, Global Outlook for Medicines Through 2018.

Importantly for AFT, the projected growth in pharmaceutical spending is not confined to any particular country, but rather is expected to occur in almost all of the major pharmaceutical markets, each of which represents a potential market for our key innovative products:

PHARMACEUTICAL SPENDING PER CAPITA, 2013 VERSUS 2018P[9]



[9] Economics Intelligence Unit, 2014; IMS Market Prognosis, September 2014.

PRODUCTS

We currently market more than 100 products in a variety of therapeutic categories in nine countries. Our products generally compete in markets where we believe we can achieve significant market presence, build strong brand equity, identify and respond to consumer/customer trends and leverage strong selling and distribution capabilities.

We generally focus on products that have one or more of the following characteristics:

- compete in product areas where there is a lower level of competition from incumbent multinational pharmaceutical companies
- are difficult to source
- are difficult to manufacture
- have significant points of difference compared with alternative products
- constitute one of a broad range of related products able to be offered by us within a specific therapeutic category.

Proprietary and licensed products

Our product portfolio is principally made up of proprietary and licensed products.

Proprietary products

Our proprietary products broadly comprise:

- products developed by us, including products developed by us which incorporate technology and know-how licensed from third parties for that purpose; and
- products licensed and sold by us under our brand name.

Our most important proprietary products are our key innovative products *Maxigesic*, *Maxiclear PE*, *Crystaderm*, *Pascaderm* and the *SURF* Nebuliser.

We protect the technology in products developed by us through a combination of patents, trade secrets and regulatory data exclusivity. Generally we rely on patent protection, unless the specific formulation and method of manufacture of the product is sufficiently complex to make copying them difficult, in which case we rely on trade secrets.

Where we rely on patent protection, we will seek and maintain patents for the product in multiple countries, including the EU and the US, and for additional medical uses, refinements and improvements of that product. Patents generally expire 20 years from the date of filing of the patent application.

Regulatory data exclusivity is where the company which first develops a pharmaceutical product and generates the clinical data required to obtain regulatory approval for that product is granted a period of data exclusivity (for example 10 years in the EU) from the date of first regulatory approval. During that time the clinical trial data may not be referred to in regulatory filings of another company (e.g. a generic drug company) for the same product.

We also protect our proprietary products by marketing them under our own brand names, and by trademarking those brand names for our key products (e.g. *Maxigesic*) in the markets in which they are sold. For OTC products, patents have reduced relevance once a product becomes an established brand. In the case of *Maxigesic*, by the time the first patent expires in Australia and New Zealand in 2028 and 2025 respectively, we expect the brand name will be well established such that market share losses from equivalent generic drugs will be minimal.

In-licensed products

In addition to our own developed products, we license products, such as *Fibroleve* and *Femme-Tabs*, from third parties for sale through our sales channels (known as 'in-licensing') predominantly in Australia, New Zealand and in Southeast Asia.

Under our in-license arrangements, we are typically granted a licence for between five and 10 years (usually with automatic rights of renewal) to use the intellectual property of the licensor for the purposes of gaining registration of the licensed product in one or more territories. Once registration has been obtained, we are able to market and sell the product in the territory and will purchase products from and/or pay royalties to the licensor.

Out-licensed products

We also license products to third party licensees or distributors to sell in their markets through their own sales channels (known as 'out-licensing').

Product manufacturing

We use third party manufacturers to manufacture all of our products. Where practicable and where permitted under any applicable licensing arrangements, we use multiple manufacturers for any one product to mitigate any potential interruption to the supply chain. We also monitor the quality of our products through our own internal risk based quality assurance programme. Further information about manufacturing and quality control of our products can be found on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled "Other material information relating to the Offer".

Key existing products

The table below sets out our key existing products in each therapeutic category, together with the markets in which any one or more of those products are sold.

THERAPEUTIC CATEGORY	KEY EXISTING PRODUCTS	DISTRIBUTION CHANNEL	CURRENT MARKETS
Allergy	*Allersoothe* *Histaclear* *Loraclear/Lorapaed* *Maxiclear Hayfever & Sinus*	OTC	Australia, Iraq, New Zealand
Analgesic	*Maxigesic* *Paracetamol OsteoTab* Paracetamol IV	OTC, Hospital	Australia, Brunei, Iraq, Malaysia, New Zealand, Singapore, UAE
Cardiovascular	AFT-Metoprolol CR	Prescription	New Zealand
Cold & Flu	*Maxiclear* Cold & Nasal *Maxiclear* Cold & Flu	OTC	Australia, Iraq, New Zealand
Eye Care	*Hylo-Fresh / Forte*	OTC	Australia, New Zealand
Injectables	Antibiotic: Cefazolin-AFT, Cefepime-AFT, Ceftriaxone-AFT Non-Antibiotic: *Nausicalm*, *Provive*, Granisetron-AFT, Ondansetron, Tropisetron-AFT	Hospital	Albania, Australia, Kosovo, New Zealand, Singapore, UAE
Orphan	*Fibroleve* Imatinib-AFT	Prescription	New Zealand, Singapore
Topical	*Coco-Scalp* *Crystaderm* *Zostrix / ZoRub OA / HP* *ZoRub for Chafing*	OTC	Australia, Iraq, New Zealand
Vitamin & Mineral	*Ferro-F* *Ferro-Liquid* *FerroTab*	OTC	Australia, New Zealand
Other	*Femme-Tab* Probenecid *Rubifen*	Prescription	Australia, New Zealand

Key innovative products

We believe the following six products offer significant market potential beyond our home markets of Australia and New Zealand:

PRODUCT	WHAT IS IT?	WHY DID WE INVEST IN IT?	CURRENT STATUS
Maxigesic tablets	A patented analgesic offering superior pain relief	To offer an alternative to addictive opioid combination analgesics	• Currently sold in Australia, New Zealand and the UAE and approved for sale in a further 12 countries • First orders received for 6 EU countries
Maxiclear PE	A patented cold & flu formulation	To offer what we believe to be a safer cold & flu product than currently available	• Approved for sale in New Zealand and sales expected to commence in mid-2016 • Further development work required to obtain approval for sale in the US and the EU
Fibroleve	A drug for treatment of idiopathic pulmonary fibrosis (**IPF**) in Asian patients	To provide a more affordable option for the treatment of IPF in Southeast Asia.	• In-licensed by us for exclusive sale in Southeast Asia • Currently sold in Malaysia and Singapore on a named patient basis
Crystaderm	An OTC hydrogen peroxide cream for first aid uses	To offer a treatment that avoids topical antibiotics which are associated with antibacterial resistance	• Achieved a market share of 50% in the New Zealand topical antiseptic market • Approved for sale in Australia with sales commencing in early 2016
Pascaderm	A topical dermatology cream for a hereditary skin condition	To utilise our existing slow release dermal delivery technology used in *Crystaderm* to treat a serious skin condition	• Under development • Agreement secured to in-license clinical data • Preparing an IND application in the US
SURF Nebuliser	A handheld ultrasonic nasal mesh nebuliser for the intranasal delivery of medication and treatment of chronic sinusitis	To expand our existing allergy and hospital product ranges	• Under development • Working prototype assembled and manufacturing scale-up underway

POTENTIAL ANNUAL MARKET SIZE[10]	OUR NEAR TERM PLANS
US$10.4 billion (global, tablet only)[11] Note: Additional line extensions (IV, PE tablets, PE sachets, oral liquid and sachets) in development	• Increase our New Zealand pharmacy market share from 6% to 10% with *Maxigesic* tablets alone[12] • Grow our 0.5% Australian market share to 5-6%[12] • Receive FDA approval in the US in late 2016 • Sell *Maxigesic* tablets in over 50 countries by the end of 2017 • Expand the *Maxigesic* product line with a further 5 line extensions (IV, PE tablets, PE sachets, oral liquid and sachets)
US$1.0 billion (global)	• Open an IND in the US in early 2016 and submit an NDA in the US in 2016 • Complete clinical study for the EU and file for approval in the EU in 2016
US$764 million (Southeast Asia only)	• Register *Fibroleve* in Malaysia in 2016 then file in four other Southeast Asian territories
US$44 million (selected markets with an aggregate population of approximately 200 million people)	• Exceed sales of A$3 million in Australia in the medium term[12] • Apply for approval in Russia and the Middle East in early 2016
US$2.8 billion (US and EU only)	• First product sales in the EU on a named patient basis by mid 2016 • Submit IND in the US in early 2016
US$2.5 billion (US dental conscious sedation market only) 43 million patients with chronic sinusitis in US alone Note: additional uses in development	• Commence pilot scale manufacture in early 2016 • Initiate drug device delivery studies in 2016 • File device registration in 2016 to target registration in late 2016/early 2017 • Sales for chronic sinusitis use to commence early 2017 • Achieve first sales for other drug delivery uses in late 2017/early 2018

[10] Based on management estimates, other than for *Maxigesic* tablets and *Maxiclear PE*, which are sourced from IMS World Review Pack (August 2015). The potential annual market size for a product is intended to reflect the total addressable market for that product (on a gross sales basis) in the region specified. It is not a revenue forecast for that product nor does it provide any indication of the market share that we may achieve in that market. It does not take into account the costs of servicing the market, the costs of goods sold or third party licensing fees, which in some cases could be material.

[11] Potential annual market size shown is for tablet products only. We expect sales of *Maxigesic* line extensions to contribute incrementally to *Maxigesic* product sales.

[12] See Section 7 (*AFT's Financial Information*) under the heading *"No prospective financial information"*.

Maxigesic

Maxigesic is a patented fixed-dose analgesic used for temporary relief of pain that combines two widely used pharmaceutical ingredients, paracetamol and ibuprofen.

Maxigesic is the only analgesic that uses a unique 3.3 to 1 paracetamol to ibuprofen ratio formulation. We believe that *Maxigesic* is an analgesic that represents an improvement over the most common available alternatives. It has demonstrated approximately 33% lower average pain scores over 48 hours after oral surgery in adults compared with an equivalent dosage of either paracetamol or ibuprofen alone. In contrast, a significant competitor product, paracetamol-codeine combination analgesics, demonstrated approximately 5% lower average pain scores compared with an equivalent dosage of paracetamol alone over the same time period.[13]

The global market (as measured in the pharmacy analgesic market only) for paracetamol and/or ibuprofen tablet products in 2014 was over US$10 billion.[14] We also expect *Maxigesic* tablets to compete in the opioid analgesic market.

At the date of this PDS, we have licensed the development and commercialisation rights for *Maxigesic* to six companies to target sales in around 30 countries. Our distributors/licensees began selling *Maxigesic* tablets in the first quarter of 2015, and we are targeting *Maxigesic* tablets to be sold by AFT and our licensees and distributors in over 50 countries by late 2017. We are currently in discussions to license the development and commercialisation rights for *Maxigesic* in up to a further 50 countries. Further information on these out-licensing discussions, as well as the analgesics market in which *Maxigesic* is sold, is available on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled "Other material information relating to the Offer". We expect the first sales under the new licences to commence in late 2016, and by the end of 2018, we are targeting Maxigesic tablets to be sold in over 100 countries.

Maxigesic tablets have already received regulatory approval in Australia and New Zealand, the UK, certain countries in the EU, Singapore, and the UAE. In the US, we expect to submit our NDA for *Maxigesic* tablets in early 2016 and receive FDA approval in late 2016. As we have completed a pre-NDA meeting with the FDA, we have a high degree of confidence of receiving FDA approval. Although combination paracetamol-ibuprofen analgesics are available in some markets, we anticipate that, if approved, *Maxigesic* tablets will be the only combination paracetamol-ibuprofen analgesic available in certain major markets, such as the US and Canada. In most markets, *Maxigesic* tablets will be OTC products. However, in certain markets, at least initially, *Maxigesic* tablets will be a prescription product.

Maxigesic's unique formulation has been patented in 42 countries and is subject to regulatory data exclusivity in countries in the EU, Australia and New Zealand. The formulation is also the subject of patent applications in an additional three countries, including the US.

[13] A.de Craen et al (1996) Analgesic Efficacy And Safety Of Paracetamol-Codeine Combinations Versus Paracetamol Alone: A Systematic Review BMJ: British Medical Journal, Vol. 313, No. 7053 (Aug. 10, 1996), pp. 321-325.

[14] IMS World Review Pack (August 2015).

Maxigesic Tablets by Country

COUNTRY	DISTRIBUTION CHANNEL	REGULATORY/SALES STATUS	2014 PARACETAMOL AND/OR IBUPROFEN ANALGESIC PHARMACY MARKET SIZE[15]
New Zealand	OTC	Registered in March 2009 Sales commenced in October 2009 and we achieved a 6% market share in FY2015	US$17.3 million
Australia	OTC	Registered in December 2013 Sales commenced in February 2014 and we had achieved over 0.5% market share as at September 2015	US$275 million
UAE	OTC	Registered in December 2014 Sales commenced in January 2015 and we had achieved an estimated 2.3% market share 10 months after launch	US$20.6 million
UK	OTC	Registered in 2015 Licence agreement with Thornton & Ross, a wholly-owned subsidiary of Stada, entered into in June 2015 Sales expected to commence in late 2015	US$380 million
Italy	Initially Prescription	Registered in March 2015 Sales expected to commence in late 2015	US$303 million
Singapore	Prescription	Registered in October 2014 Sales expected to commence in early 2016	US$6.1 million
Eastern Europe (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Poland, Slovenia, Slovakia, Lithuania and Romania)	OTC (except Czech Republic)	Registered 2015 Sales expected to commence in early 2016	US$318 million
Nordics (Denmark, Finland, Iceland, Norway and Sweden)	Initially Prescription	Registration expected late 2015 Sales expected to commence in early 2016	US$165 million (not including Denmark and Iceland)
Europe (excluding Italy, Eastern Europe and Nordic countries)	OTC	Registration expected 2016	US$2.0 billion
US	Prescription	Registration expected late 2016 Sales expected to commence in early 2017	US$2.9 billion

[15] IMS World Review Pack (August 2015). The 2014 market size is intended to reflect the total addressable market for *Maxigesic* tablets (on a gross sales basis) in the country/region specified. It is not a revenue forecast for *Maxigesic* tablets nor does it provide any indication of the market share that we may achieve in that country/region.

Further Maxigesic Opportunities

While the development of *Maxigesic* tablets is complete, we are currently developing the following additional formulations of *Maxigesic*, which we believe represent significant market opportunities with a simpler development path.

PRODUCT	DESCRIPTION	2014 GLOBAL MARKET SIZE[16]	REGULATORY STATUS
Maxigesic Oral Liquid	Suspension oral liquid for paediatric use	US$1.8 billion	Expect to file for registration in 2016 in Australia, New Zealand and certain countries in the EU
Maxigesic Powder Sachets	Powder sachets for preparation of a lemon flavoured hot drink for adult use	US$677 million	Expect to file for registration in 2016 in Australia, New Zealand and certain countries in the EU
Maxigesic PE Tablets	Tablet for treatment of pains associated with cold and flu for adult use	US$886 million	Expect to file for registration in 2016 in Australia, New Zealand and certain countries in the EU
Maxigesic PE Sachets	Powder sachets for treatment of pains associated with cold and flu for adult use	US$324 million	Expect to file for registration in 2016 in Australia, New Zealand and certain countries in the EU
Maxigesic IV	Injectable for post-operative use in adults either alone or to reduce the use of opioid analgesics	US$832 million	Expect to submit an IND and NDA in the US at the end of 2016 or early 2017

The development of *Maxigesic* IV, the intravenous formulation of *Maxigesic*, is being undertaken under a collaboration development agreement with a third party pharmaceutical company which owns or controls certain patents rights which we anticipate will extend to 2034, and has particular expertise in the manufacture of IV formulations. We have the worldwide rights to commercialise *Maxigesic* IV and the third party pharmaceuticals company is entitled to a proportion of any revenue received by us on the sale of *Maxigesic* IV outside of Australia and New Zealand.

[16] Based on IMS World Review Pack (August 2015) and management estimates. The 2014 global market size is intended to reflect the total addressable global market (on a gross sales basis) for each product. It is not a revenue forecast for that product nor does it provide any indication of the market share that we may achieve.

Maxiclear PE

Maxiclear PE is a combination phenylephrine (**PE**) and paracetamol cold and flu tablet that is designed to be safer than any currently marketed cold and flu product containing PE and paracetamol. Existing cold and flu products that contain PE and paracetamol, which make up a majority of the cold and flu market, contain 10 milligrams of PE, which by itself is considered to be a safe dosage. However, a 2013 study showed that the drug interaction between PE and paracetamol increased the concentration of PE in patients to an amount higher than the dose approved as safe and effective by regulators such as the FDA.[17] *Maxiclear PE* contains dosages of PE that, when combined with paracetamol, do not increase the average concentration of PE in patients to higher levels which are greater than the amounts approved for use on their own. Dosages of PE greater than 10 milligrams per day have been linked to cardiovascular and central nervous system side effects, including escalations in blood pressure and in one case, an intracerebral hemorrhage.[18,19]

We will market *Maxiclear PE* through our own sales force in Australia and New Zealand. *Maxiclear PE* has already received its first regulatory approval, in New Zealand this year. In July 2015, we entered into a licence agreement for *Maxiclear PE* in four European countries and we expect that *Maxiclear PE* will be sold by our licensees in those countries by the end of 2017. We are targeting that by the end of 2017, *Maxiclear PE* will be sold in over 20 countries.

We patented *Maxiclear PE* in Russia, Australia, Luxembourg and New Zealand in 2014, and patent applications are pending in an additional 82 countries covering major markets around the world. We have also met with the FDA to determine the development pathway for the US which is the largest market for PE products in the world. Studies are underway and we plan to open the IND in early 2016 and submit an NDA in the US in 2016.

The global market for paracetamol-phenylephrine combination cold and flu products is approximately US$1 billion.[20] We believe that once we achieve registrations in major markets, we can achieve significant global sales for *Maxiclear PE*.

Fibroleve

Fibroleve is an orphan drug for the treatment of idiopathic pulmonary fibrosis (**IPF**) in Asian patients. We expect the current treatments for IPF to be prohibitively expensive for many patients in Southeast Asia, which is a private payer market. *Fibroleve* utilises a dosage level of the current treatment that, while efficacious for Asian patients, is lower than the approved dosage level for Caucasian patients in the US and the EU.

We have licensed *Fibroleve* from GNI Group Ltd, a listed Japanese pharmaceutical company that sells *Fibroleve* in China, for exclusive use in Southeast Asia, Australia, New Zealand, Russia and the Commonwealth of Independent States countries. The licence is for an initial 10 year term and is renewable by us for successive one year terms. Under the licence, GNI is entitled to receive licensing fees (including royalties) from us which we consider to be in line with those commonly obtained in the industry.

Although patient affordability places limitations on the market opportunity, one study showed that the prevalence of IPF is around 10 out of every 100,000 people in Japan, whose population would be expected to closely mirror the Asian populations in Southeast Asia. Based on the estimated population in Southeast Asia and our pricing estimates, we believe that the potential market size for drugs treating IPF in Southeast Asia is approximately US$764 million annually.[21] We expect to register *Fibroleve* in Malaysia in 2016, after which we intend to file in an additional four Southeast Asian territories.

Commercialisation of *Fibroleve* will be undertaken by AFT or our sub-licensees, with the profits from such commercialisation accruing to our subsidiary, AFT Orphan.

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[17] Atkinson HC, Stanescu I, Anderson BJ. Increased Phenylephrine Plasma Levels with Administration of Acetaminophen [Letter to Editor]. N Engl J Med 2014; 370(12):1171-2; Atkinson HC et al 2015. Eur J Clin Pharmacol 71, 151-8.

[18] CHPA Meeting of the Non Prescription Drugs Advisory Committee Dec 2007. Docket No.2007 P-0047; Atkinson HC et al 2015. Eur J Clin Pharmacol 71: 931-938.

[19] Tark BE et al (2014). Journal of Stroke and Cerebrovascular Diseases, Vol. 23, No. 9 (October): 2296-2300.

[20] IMS World Review Pack (August 2015).

[21] See footnote 10.

Crystaderm

Crystaderm is an OTC hydrogen peroxide cream for first aid uses such as treatment of minor skin infections or prevention of infection in minor cuts, scrapes and burns. Unlike the widely used liquid formulation of hydrogen peroxide, the cream formulation melts at skin temperature and thus permits slow release of hydrogen peroxide. The cream formulation of hydrogen peroxide is difficult to manufacture and to reverse engineer, which are features that we believe will limit the number of potential competitor products. Based on historical sales of *Crystaderm* in New Zealand, we estimate that the potential market size for hydrogen peroxide cream products in our anticipated and existing markets of Australia, Singapore, Russia, the Middle East and New Zealand, is approximately US$44 million per annum.[22] *Crystaderm* is registered in New Zealand and Australia and approved for sale. We plan to apply for registrations in Russia and the Middle East starting in early 2016.

We currently market *Crystaderm* in New Zealand and expect to commence sales in Australia in early 2016. We have entered into third party distributor agreements for distribution of *Crystaderm* in Russia and the Middle East where we anticipate sales will commence in 2016.

Pascaderm

Pascaderm[23] is a topical dermatology drug being developed to treat a hereditary skin condition, which is manufactured using the same slow release dermal delivery method as *Crystaderm*. We have an agreement with a European university to in-license the rights to clinical trial data that demonstrates clinical efficacy for *Pascaderm*. This data lessens the development risk given that we already have proof of clinical efficacy. We estimate the potential annual market for *Pascaderm* in the US and the EU alone is approximately US$2.8 billion.[24] We are currently preparing an IND for *Pascaderm*, which we expect to submit to the FDA in early 2016. We are targeting first product sales in the EU for mid 2016, initially on a named patient basis.

Pascaderm is being developed by a 50/50 joint venture between AFT and Medicas Group LLC, a US-based company. The joint venture will undertake commercialisation of *Pascaderm* throughout the world other than in Australia, New Zealand and certain Southeast Asian countries where we have exclusive rights to commercialise the product. We will be entitled to 50% of the profits generated by the joint venture from such commercialisation activities. We have also been granted an exclusive worldwide licence by the joint venture to manufacture or procure the manufacture of Pascaderm for supply to licensees and other customers, entitling us to a margin (after payment of a licence fee to the joint venture) on all product sold to those parties.

You can find out more information about *Pascaderm* on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled "Other material information relating to the Offer".

As noted above, *Pascaderm* is still currently being developed. For more information on the risks associated with the development and commercialisation of *Pascaderm*, you should read Section 8 (*Risks to AFT's Business and Plans*) under the headings *"Development of key innovative products", "Regulatory requirements", "Competition", "Intellectual property protection"* and *"Intellectual property infringement"*.

SURF Nebuliser

The *SURF* Nebuliser is a hand-held ultrasonic nasal mesh nebuliser for the intranasal delivery of medication and treatment of chronic sinusitis that is in development. This development fits within the existing AFT allergy and hospital injectable product ranges. The *SURF* Nebuliser has a unique combination of highly desirable features:

- Portability
- High delivery rate
- Control of particle size through mesh
- Control of delivery parameters, such as dosage amount
- Breath activation to ensure medication is only delivered to the nose and not the throat or lungs.

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[22] See footnote 10.

[23] *Pascaderm* is the working name we have given this product pending completion of its development and registration. We may choose to commercialise the product under a different brand name.

[24] See footnote 10.

Working device models have been produced and the device is entering pilot scale manufacture in early 2016. We are now developing the *SURF* Nebuliser for treatment of chronic sinusitis and for delivery of drugs intranasally instead of by the intravenous route. The first development we are undertaking as a drug delivery device is for conscious sedation. If approved, we expect the use of the *SURF* Nebuliser for conscious sedation to be the only intranasal method of conscious sedation in major markets, such as the US. Conscious sedation intranasally is an effective alternative to intravenous conscious sedation and is faster acting than currently available oral medications for conscious sedation.

We believe the conscious sedation market represents a significant opportunity for us. In the US, approximately 125 million dental procedures suitable for conscious sedation were performed in 2009[25] and approximately 25.7 million ambulatory surgical procedures suitable for conscious sedation were performed in 2006.[26] Market research commissioned by us and conducted by MedPanel in the US and the UK has emphasised this opportunity with dentists predicting their practice would change to use the device in 45% of suitable procedures.

The *SURF* Nebuliser has desirable features over currently marketed nebulisers, which are not approved for delivery of specific drugs intranasally to date and do not have the same advantages as the *SURF* Nebuliser.

We have in-licensed, on an exclusive worldwide basis, the patent for the ultrasonic mesh delivery method that powers the *SURF* Nebiliser and all of the patents required for the *SURF* Nebuliser mechanism to be used as a drug delivery device for conscious sedation, treatment of chronic sinusitis and for the delivery of a number of other drugs we consider have significant commercial potential. Our licence runs for the life of the licensed patents and the life of any out-licensing agreements we enter into in connection with the *SURF* Nebuliser. It entitles the licensor to a proportion (which we consider to be in line with those commonly obtained in the industry) of net sales and out-licensing revenue received by us on the *SURF* Nebuliser and any related products.

We expect to attend a pre-IND meeting with the FDA in 2016 for conscious sedation. We intend to use capital raised under the Offer to commence clinical studies for chronic sinusitis in 2016. Device registration is planned for 2016 which will allow initial sales for use to treat chronic sinusitis to commence in early 2017.

We are targeting sales of the *SURF* Nebuliser for other drug delivery uses to commence in late 2017/early 2018 and have already received interest from existing business partners for co-development of at least one new use. Sales will be generated from (a) the sale of the *SURF* Nebuliser device, (b) a per use charge through the sale of RFID (radio frequency identifier) cards which programme the device for use with particular drugs and (c) consumables, such as mouthpieces and nasal prongs. We expect that the majority of the sales will be derived from the per use charges. We are targeting sales generated by the *SURF* Nebuliser to form up to approximately 20% of our total operating revenue in the medium term.[27]

We will sell the *SURF* Nebuliser in Australia and New Zealand through our own sales forces within our existing allergy and hospital sales ranges. Outside Australia and New Zealand, we plan to out-license the *SURF* Nebuliser, with the key markets being the EU and the US.

You can find out more information about the *SURF* Nebuliser on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled "Other material information relating to the Offer".

As noted above, the *SURF* Nebuliser is under development. For more information on the risks associated with the development and commercialisation of the *SURF* Nebuliser, you should read Section 8 (*Risks to AFT's Business and Plans*) under the headings *"Development of key innovative products", "Regulatory requirements", "Competition", "Intellectual property protection"* and *"Intellectual property infringement"*.

[25] http://meps.ahrq.gov/mepsweb/data_files/publications/st368/stat368.shtml.

[26] Cullen, K., Hall, M., and Golosinskiy, A. (2009). Ambulatory surgery in the United States, 2006. Technical report, Center for Disease Control; Gan TJ et al. Consensus guidelines for managing postoperative nausea and vomiting. Anesth Analg. 2003;97:62–71.

[27] See Section 7 *(AFT's Financial Information)* under the heading *"No prospective financial information"*.

KEY GEOGRAPHIES

New Zealand

We currently market over 100 products in New Zealand, across all of our therapeutic categories and distribution channels. The aspect of our New Zealand business which has the most impact on our financial performance is our ability to develop or in-license, and then register, products for sale by our sales team in New Zealand. Over the last 5 years we have increased our New Zealand product offering by 28% with the introduction of 22 new products. Sales of our products into New Zealand made up approximately 52% of our operating revenue in FY2015.

For more information on how we generate revenue in New Zealand, refer to Section 7 (*AFT's Financial Information*) under the heading *"A summary of how we generate revenue"*.

Strategy

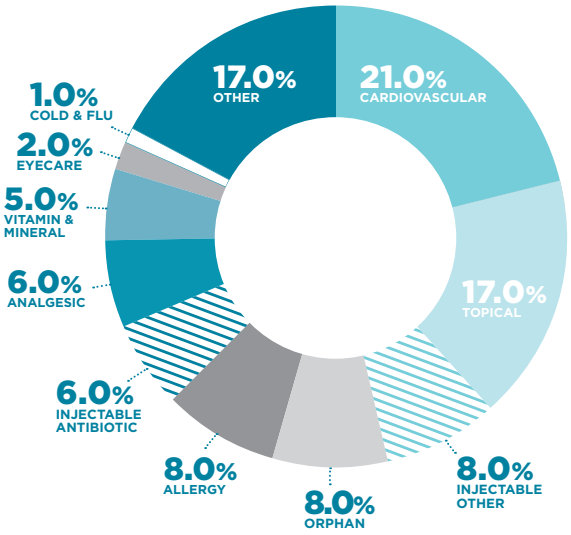
Our New Zealand business has consistently grown year-on-year and we expect it to continue to do so for the foreseeable future. Our strategy to drive growth in this market is to generate new sales through the introduction of our key innovative products and new in-licensed products.

Specific areas of strategic focus include:

- Analgesics – we intend to increase our current 6% market share of the New Zealand pharmacy analgesic market for *Maxigesic* tablets to 10% over the next five years through increased OTC *Maxigesic* tablet sales by continuing to build brand awareness.[30] We plan additional sales from product line extensions such as *Maxigesic* oral liquid, sachets and IV.

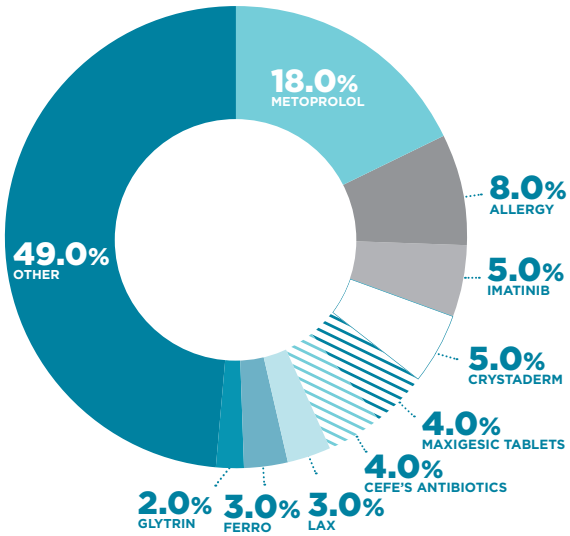
NEW ZEALAND OPERATING REVENUE BY THERAPEUTIC CATEGORY

FY2015



NEW ZEALAND OPERATING REVENUE BY PRODUCT

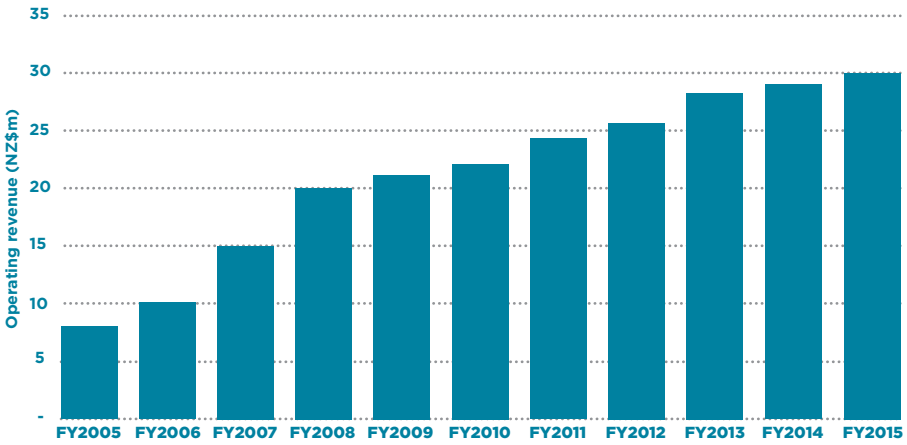
FY2015



- Allergy – we intend to both consolidate and strengthen our current market leading position in the allergy market by expanding our range of allergy products and through the addition of the *SURF* Nebuliser for treatment of chronic rhinosusitis.
- Topicals – we intend to further grow the sales of our market leading product *Crystaderm* which is still showing strong sales growth through ongoing promotional programmes. We are also developing further topical products using the *Crystaderm* proprietary base.

Operating revenue derived from our New Zealand business has grown at a CAGR of 14% over the last 10 years. New Zealand sales are targeted to reduce from 52% of total operating revenue in FY2015 to approximately 10% over the medium term, as a result of our targeted sales growth in global markets decreasing the relative sales contribution from our New Zealand and Australian businesses.[28]

NEW ZEALAND



[28] See Section 7 (*AFT's Financial Information*) under the heading *"No prospective financial information"*.

Australia

We achieved our first sales in Australia in 2005. We currently market 45 products in Australia, across most of our therapeutic categories. Similar to our New Zealand business, the aspect of our Australian business which has the most impact on our financial performance is our ability to develop or in-license, and then register, products for sale by our sales team in Australia. Over the last 5 years we have introduced 14 products in Australia, including the in-licensing of *Femme-Tabs*, the first low dose oral contraceptive subsidised by the PBS. Sales of our products in Australia made up approximately 47% of our operating revenue in FY2015, up from 22% five years ago.

For more information on how we generate revenue in Australia, refer to Section 7 (*AFT's Financial Information*) under the heading *"A summary of how we generate revenue"*.

Strategy

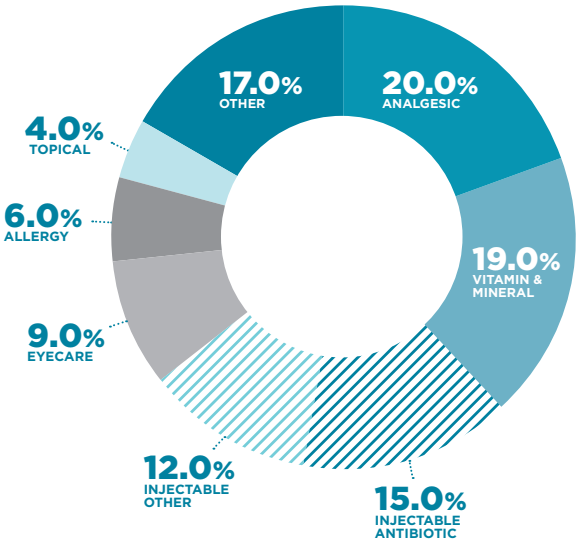
At a high level, our strategy to drive growth in Australia is similar to New Zealand – i.e. to generate new sales through the introduction of our key innovative products and new in-licevnsed products to strengthen our existing product range.

Specific areas of short-term strategic focus include:

- Analgesics – we only commenced sales of *Maxigesic* in Australia in February 2014 and we have achieved a 0.5% market share. In New Zealand, we have achieved a 6% market share of the pharmacy analgesic market over 6 years since introduction. Our focus is to be able to achieve a similar market penetration in broadly the same timeframe.[29] The Australian market is more difficult to achieve rapid market share as *Maxigesic* advertising to consumers is not currently allowed, but our strategy is to grow sales through promotion to key health care professionals. Furthermore, the TGA has announced an interim decision to restrict (from a date to be confirmed, but not before 2017) the sale

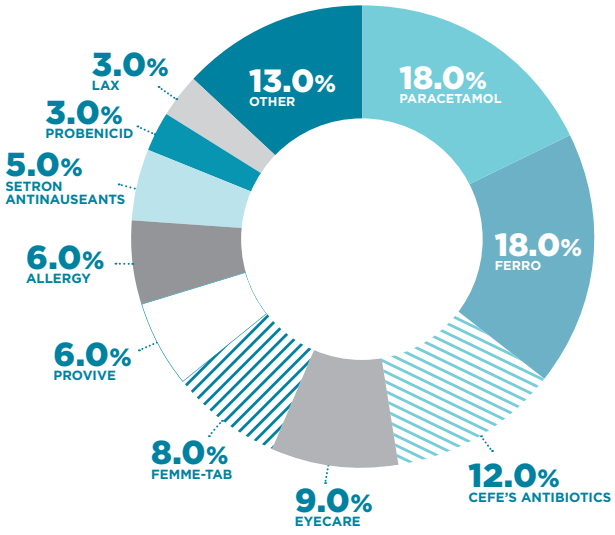
AUSTRALIAN OPERATING REVENUE BY THERAPEUTIC CATEGORY

FY2015



AUSTRALIAN OPERATING REVENUE BY PRODUCT

FY2015



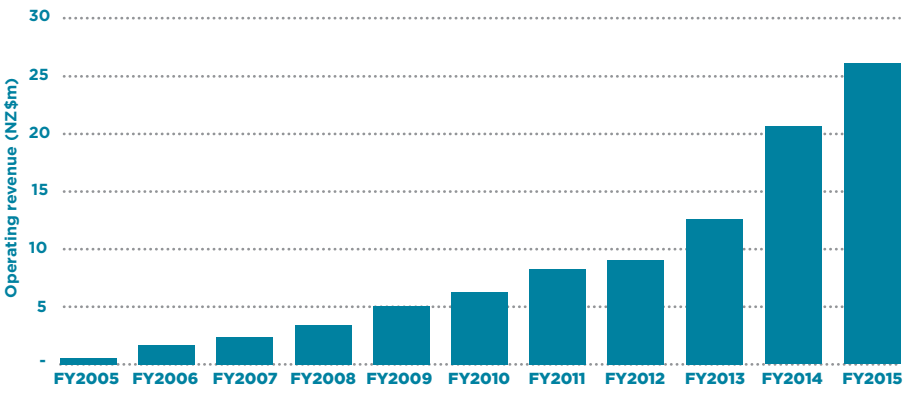
[29] See Section 7 (*AFT's Financial Information*) under the heading *"No prospective financial information"*.

of combination analgesics containing codeine, which had sales in Australia of A$129 million in the year ended 31 March 2015.[30] If that decision is implemented, we believe the restriction will significantly increase *Maxigesic* sales in Australia.

- *Ferro* Range – we intend to increase sales through further in store and direct to consumer advertising. In addition, we have a research development programme with a key line extension in registration and discussions for in-licensing additional dose forms to extend the *Ferro* range.
- New South Wales tender – as the last tender took place before the Australia registration of some our key hospital products such as *Cefe's* Injectable Antibiotics, we are yet to have the opportunity to pitch such products in the key New South Wales tender which accounts for approximately 32% of the Australian public hospital market. We expect to be able to tender in 2016. If successful, this would significantly increase our Australian sales.

Operating revenue derived from our Australian business has grown at a CAGR of 48% over the last 10 years. Sales from this region are targeted to reduce from 47% of total operating revenue in FY2015 to approximately 26% over the medium term, as a result of our targeted sales growth in global markets decreasing the relative sales contribution from our New Zealand and Australian businesses.[29]

AUSTRALIA



[30] IMS Australia Probe Data Q2 14-Q1 15. IMS includes wholesaler to pharmacy sales and excludes sales to grocery chains.

Rest of World

We have achieved significant growth to date through focusing on selling our products within the Australian and New Zealand markets combined with frequent new product introduction. Expanding the distribution of key innovative products beyond Australia and New Zealand presents a significant opportunity for us.

While our sales into these markets are currently at an early-stage, contributing approximately 1% of FY2015 operating revenue, we target sales outside of Australia and New Zealand to make up over 60% of our revenue in the medium term.

For more information on how we generate revenue in Rest of World, refer to Section 7 (*AFT's Financial Information*) under the heading *"A summary of how we generate revenue"*.

Strategy

In Southeast Asia, our strategy is to drive growth through the selected introduction of products from our current Australia/New Zealand product portfolio as well as our key innovative products, and through the establishment of new sales offices in Hong Kong and the Phillippines. In other countries, we will look to partner with licensees and distributors.

Beyond Southeast Asia, we intend to focus our geographic expansion on our key innovative products through partnering with local and/or regional licensees and distributors. We will leverage our licensees' and distributors' networks, knowledge and expertise in their local markets, substantially minimising the costs of establishment in these markets.

Initially, we intend to focus on *Maxigesic* tablets. We are now processing the first *Maxigesic* tablet licensee orders for six EU country markets and our launch in the UAE has exceeded expectations with sales of *Maxigesic* tablets to our distributor now equating to an estimated 2.3% of the paracetamol and ibuprofen market in the UAE after only 10 months. Further information on our out-licensing strategy for *Maxigesic* tablet is set out in this section under the heading "*Maxigesic*".

RESEARCH AND DEVELOPMENT

Our innovative development pipeline projects currently include clinical development of new products and devices, line extensions for existing products and the generation of additional clinical data for existing products. We believe we will be able to leverage our existing specialty clinicial, medical and commercial expertise to do this. We intend to utilise our in-house expertise and intellectual property to initiate additional low risk development projects where the projects either fit in with our existing research areas or offer attractive commercial upside. In addition, we will look for external opportunities through in-licensing, collaborations or partnerships to build our development pipeline.

Further information on our research and development teams can be found on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled *"Other material information relating to the Offer"*.

DIRECTORS AND MANAGEMENT TEAM

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

Board of Directors

David Flacks

Chairman and Independent Director
Appointed 22 June 2015

David has a number of governance and regulatory roles having recently retired as a senior corporate partner of leading New Zealand law firm Bell Gully. David was a partner of Bell Gully from 1987 and spent over four years as General Counsel and Company Secretary of Carter Holt Harvey Limited during the mid 1990s.

David is currently Chair of the NZX Markets Disciplinary Tribunal and a member of the Takeovers Panel. He is a director of the Vero NZ group companies, Harmoney Corp and NZ Venture Investment Fund. He also practises law as a director of specialist corporate law firm Flacks & Wong.

David graduated in law from St Johns College, Cambridge University.

Dr Hartley Atkinson

Founder, Executive Director and Chief Executive Officer
Appointed 4 September 1997

Hartley founded AFT in 1997. Before founding AFT, Hartley worked at Swiss multinational pharmaceutical company, Roche, for eight years where he held positions as Sales & Marketing Director, Medical Director, Product Manager and Medical Manager. Prior to his work at Roche, Hartley was a Drug Information Pharmacist and Researcher at the Department of Clinical Pharmacology, Christchurch Hospital. Hartley is the author of a number of scientific publications. Hartley's work has been published in the prestigious *The New England Journal of Medicine*.

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

Marree Atkinson

Executive Director and Chief of Staff
Appointed 4 September 2012

Marree has been involved in all aspects of AFT's business since its establishment in 1997, including roles in sales, regulatory affairs, customer services and logistics. Marree's role as Chief of Staff sees her involved in the day-to-day running of AFT's head office including managing staffing requirements and special projects involving AFT's head office. Marree is the liaison between AFT's staff and the Board.

Marree is a registered nurse previously practising at Waikato Hospital.

Nathan (Nate) Hukill

Non-Executive Director
Appointed 14 May 2014

Nate is the President of CRG, a US-based investment management firm focussed on the healthcare industry. He is also Chairman of CRG's investment committee. Nate joined CRG in 2009, bringing more than 16 years of investing experience. Prior to joining CRG, he was a Portfolio Manager at Highland Capital, where he invested and managed approximately $4.5 billion in the healthcare, consumer products, and technology sectors. Before Highland Capital, Nate co-founded a pharmaceutical-focussed enterprise software company called OpenQ, Inc. He started his career as a credit investor at Salomon Smith Barney where he managed a portfolio of approximately $800 million.

Nate holds a Bachelor of Science in business administration from the University of Colorado and an M.B.A. from the Darden Graduate School of Business at the University of Virginia.

Jon Lamb

Independent Director
Appointed 4 September 2012

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

kiwifruit, and restructuring Zespri into a retail focussed operation).

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

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

Dr John Douglas (Doug) Wilson

Independent Director
Appointed 4 September 2012

Doug was Senior Vice President and Head of Medicine and Regulatory Affairs in the US for German drug company Boehringer Ingelheim Pharmaceuticals. He then carried these same responsibilities to Boehringer's worldwide medical research group overseeing all research and drug development programmes. Since his return to New Zealand, Doug has been a consultant to pharmaceutical and biotech companies in New Zealand, Australia, Italy, the UK, Ireland and New York. He has been a director of Neuren Pharmaceuticals, is a director of a drug discovery company Phylogica in Perth Australia, and is Chairman of Adherium - a medical device company based in Auckland which has recently completed a successful initial public offering on the ASX.

Doug has a medical degree from New Zealand, is a Fellow of the Royal Australian College of Physicians, a Fellow of the College of Pathologists of Australia and has a PhD from the University of London.

James (Jim) Burns

Independent Director
Appointed 17 September 2015

Jim has extensive executive experience in pharmaceuticals, biotechnology, medical devices, and diagnostics. He has served in leadership roles at large multinational corporations, early-stage companies, venture capital funds and private equity.

Jim is Chairman, and from 2009-2015 served as Executive Chairman and Chief Executive Officer, of Assurex Health, a precision medicine company focussed on neuropsychiatric and pain disorders. Previous roles include President of MedPointe Pharmaceuticals, a specialty pharmaceutical company; President & CEO of biotechnology company Osiris Therapeutics; General Partner of Healthcare Ventures; Group President of Becton Dickinson, a global medical device company; and Partner at Booz & Company, an international consulting firm.

Jim is a Board Leadership Fellow of the National Association of Corporate Directors and a Director of Symmetry Surgical and Vermillion, both of which are listed on NASDAQ.

Jim holds B.S. and M.S. degrees in biological sciences from the University of Illinois and an M.B.A. from DePaul University.

Management Team

Senior Managers

Dr Hartley Atkinson

Chief Executive Officer

See biography in this section under the heading "Board of Directors".

Marree Atkinson

Chief of Staff

See biography in this section under the heading "Board of Directors".

Malcolm Tubby

Chief Financial Officer and Company Secretary

Malcolm has been involved with AFT since its establishment in 1997, providing financial, operational and governance expertise. Malcolm has had experience in senior finance positions in public and private companies in the pharmaceuticals (Allergan), fast-moving consumer goods (Frucor Beverages), insurance and healthcare industries. Malcolm is a qualified chartered accountant in the UK, Australia and New Zealand and holds a Bachelor of Arts (Honours) Degree from Kingston University, London. Malcolm has experience as a director of AFT and is currently a director of AFT Orphan.

Mark Morrison

Director International and Business Development

Mark joined AFT in March 2015 and has since been responsible for Business Development and International Sales. Mark's role involves both licensing in products for AFT to add to its growing portfolio and finding partners to commercialise AFT's key brand assets around the

world. He has previously held a variety of senior roles in sales, marketing, strategic planning and new product development domestically and internationally with companies such as Sanofi and Pfizer.

Regulatory and Development Managers

Ioana Stanescu

Head of Drug Development

Ioana joined AFT in October 2012 as Drug Development Manager. As Head of Drug Development, Ioana has overall responsibility for the drug development activities of AFT. Ioana graduated as a Biologist (Phil.Lic, MSc.) from the University of Bucharest, Romania and started her career as an Immunologist at the Centre for State Control of Biological Products for Human Use in Bucharest, Romania. As a World Health Organisation temporary advisor, Ioana performed institutional assessments of competent regulatory authorities within Central and Eastern Europe. Prior to joining AFT, Ioana worked more than 12 years in Finland, at FIT Biotech Ltd., where she held various positions such as Vice President Quality Assurance & Regulatory Affairs and Head of Vaccine Business Area.

Vladimir Ilievski

Regulatory Affairs Manager

Vladimir joined AFT in February 2006 and is responsible for managing regulatory submissions in territories where AFT operates. Prior to joining AFT, he worked for Douglas Pharmaceuticals in various roles such as Quality Control/Quality Assurance analyst and Regulatory/ Senior Regulatory Associate. 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.

Dr Brendon Woodhead

New Product Development Manager – Medical Devices

Brendon joined AFT in October 2011 and has held previous roles in pharmaceuticals formulation with AFT. In his current role, Brendon is responsible for technical leadership within AFT's medical device team to support AFT's development and commercialisation of novel medical devices, including the *SURF* Nebuliser. Brendon has over 25 years' experience in the pharmaceutical and medical science fields working for both local and multinational companies such as Glaxo NZ, LGC (UK), SmithKline Beecham Consumer Healthcare NPD (UK) and GlaxoSmithKline Pharmaceutical R&D (UK). Brendon holds a PhD in Pharmaceutical Science from Kings College, London.

Sales and Marketing Managers

Murray Keith

Group Marketing Manager

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

Calvin Mackenzie

General Manager, AFT Australia

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

Scott Crawford

National Business Manager

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

CORPORATE GOVERNANCE

The Board has constituted certain committees, and adopted various policies and procedures as is typical for a company listed on the NZX Main Board. Further information on these committees, policies and procedures is available on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled "Other material information relating to the Offer".

INTERESTS OF DIRECTORS AND SENIOR MANAGERS

Director remuneration and interests

The table below sets out the total of the remuneration and the value of the other benefits of each director of AFT received in FY2015 and expected to be received in FY2016:

DIRECTOR	REMUNERATION AND BENEFITS	
	FY2015	FY2016(E)
Hartley Atkinson	$357,000	$520,000
Marree Atkinson	$90,000	$110,000
David Flacks	–	$75,000
Nate Hukill	–	–
Jon Lamb[i]	$101,000	$143,000
Doug Wilson[ii]	$55,000	$55,000
Jim Burns	–	US$60,000

[i] Includes fees received by Redvers Limited for special projects work undertaken by Jon Lamb

[ii] Includes fees received by Mainz Consultancy Limited for consultancy services provided by Doug Wilson

Hartley Atkinson and Marree Atkinson receive remuneration and other benefits in their respective executive roles as Chief Executive Officer and Chief of Staff and do not receive directors' fees. Their remuneration and other benefits for FY2015 and expected remuneration and other benefits for FY2016 is shown in the table above.

David Flacks and Jim Burns were appointed directors of AFT in FY2016 and, as such, received no remuneration or other benefits during FY2015. Nate Hukill received no remuneration or other benefits from AFT during FY2015 and has agreed not to accept any directors' fees for FY2016.

In FY2015 and 1HFY2016, Jon Lamb undertook, through Redvers Limited, special projects work for AFT relating to pricing and distribution strategy. In FY2015 Redvers Limited received $101,000 for these services, and in 1HFY2016 $113,000. This work will cease following completion of the Offer and Jon will instead receive directors' fees for his services provided as a director, together with compensation at a daily rate from time to time where he performs duties outside the scope of his role as a non-executive director.

Doug Wilson has provided consultancy services to AFT, through Mainz Consulting Limited. In FY2015, Mainz Consulting Limited received $55,000 for these services, and in 1HFY2016 $18,000. These consultancy services will cease following completion of the Offer and Doug will instead receive directors' fees for his services provided as a director, together with compensation at a daily rate from time to time where he performs duties outside the scope of his role as a non-executive director.

The remuneration paid to the directors in FY2016 will be materially higher than that paid in FY2015. The directors will, as a result of the Offer and listing, have increased responsibilities and will be required to devote more time to performance of their duties as directors. The fees for non-executive directors of AFT have been fixed as a total pool of $575,000 per annum. Individual non-executive directors' fees vary depending on their duties, including for committee work, with fees for FY2016 included in the table above.

The 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.

Directors' indemnity and insurance

AFT has granted indemnities, as permitted by the Companies Act and the FMC Act, in favour of each of its directors and certain senior employees. AFT also maintains insurance for its directors and officers.

Relevant interests held by directors and senior managers

The table below sets out the equity securities in AFT that the directors and senior managers of AFT have an interest in prior to the Offer (at the date of the PDS) and will likely have an interest in immediately after the Offer (following allotment of Shares).

NAME	RELEVANT INTEREST HELD	PRIOR TO THE OFFER (pre Conversion and Share Split)		FOLLOWING THE OFFER (indicative ownership on the basis that the Offer is fully subscribed)	
		Equity securities	**% of class**	**Equity securities**	**% of class[31]**
Hartley Atkinson	Joint registered holder as trustee of the Atkinson Family Trust	1,179,600 Shares 14,535 Series B Preferred Shares	100% 26.86%	72,964,942 Shares	74.93% to 76.04%
David Flacks	Joint registered holder as trustee of the Waitemata Family Trust	775 Series B Preferred Shares	1.43%	48,050 Shares	0.05% to 0.05%
Jon Lamb	Power to control the exercise of the right to vote attached to the shares held by Rivers One Limited as trustee of the Rivers One Trust	2,907 Series B Preferred Shares	5.37%	180,234 Shares	0.19% to 0.19%
Malcolm Tubby	Joint registered holder as trustee of the Jembag Investment Trust	1,163 Series B Preferred Shares	2.15%	72,106 Shares	0.07% to 0.08%
	Registered holder and beneficial owner	–	–	150,000 Options to purchase 150,000 Shares[32]	100%
Doug Wilson	Joint registered holder as trustee of the AJJD Trust	581 Series B Preferred Shares	1.07%	36,022 Shares	0.04% to 0.04%
Jim Burns	Registered holder and beneficial owner	775 Series B Preferred Shares	1.43%	48,050 Shares	0.05% to 0.05%
Mark Morrison	Registered holder and beneficial owner	–	–	150,000 Options to purchase 150,000 Shares[33]	100%

[31] Ranges shown for Shares reflect the percentage excluding any oversubscriptions up to the percentage including maximum oversubscriptions.

[32] These Options are further described in this section under the heading *"Employee incentives"*.

[33] See footnote 32.

Material interests in AFT (or any of its subsidiaries)

Hartley Atkinson is a trustee of the Atkinson Family Trust. The Atkinson Family Trust holds 1,179,600 Shares and 14,535 Series B Preferred Shares as at the date of this PDS. Both Hartley Atkinson and Marree Atkinson are discretionary beneficiaries of the Atkinson Family Trust.

Nate Hukill is the President of CRG and Chairman of its investment committee. CRG entities are responsible for managing the following funds: Capital Royalty Partners II L.P., Capital Royalty Partners II – Parallel Fund "A" L.P, Capital Royalty Partners II (Cayman) L.P. and Capital Royalty Partners II – Parallel Fund "B" (Cayman) L.P. (together the **CRG Funds**). Nate Hukill has an interest in the CRG Funds. The CRG Funds have the following material interests in AFT:

- The CRG Funds hold, in aggregate, 100,000 Series A Preferred Shares and 23,256 Series B Preferred Shares. In accordance with the terms of the Series A Preferred Shares and the Series B Preferred Shares, the CRG Funds received, in aggregate, $767,000 of preference dividends in FY2015 and $661,000 of preference dividends in 1HFY2016 on those shares. Following Conversion of these Preferred Shares and the Share Split immediately before allotment of Shares under the Offer, the CRG Funds will hold a total of 7,641,872 Shares. Further information on the Preferred Shares, Conversion and Share Split is set out in this section under the heading *"Equity securities of AFT"*.
- The CRG Funds have entered into a subscription agreement with AFT on 26 November 2015 to subscribe for 5,357,143 Shares under the US Private Placement. Following completion of the Offer, the CRG Funds are expected to hold a total of 12,999,015 Shares.
- The CRG Funds are the lenders under a term loan agreement with AFT entered into in April 2014 for up to US$30 million. As at the date of this PDS, AFT has drawn down US$15 million under the loan. The loan is for a six year term at an interest rate of 13.5% per annum with the first four years interest only and the principal to be repaid in equal quarterly instalments in years five and six. Further information on the CRG Funds term loan agreement is set out in Section 7 (*AFT's Financial Information*) under the heading *"Interest bearing liabilities"*.

The Board has agreed that Nate Hukill will not be involved in any discussions or decision making of the Board relating to the CRG Funds term loan agreement.

All of the senior managers have entered into employment agreements with AFT.

Employee remuneration

The table below sets out the number of employees or former employees of AFT, not being directors of AFT who received during FY2015 remuneration and other benefits in their capacity as employees, that in value was or exceeded $100,000 per annum, in brackets of $10,000.

REMUNERATION	FY2015
$100,000 – $109,999	14
$110,000 – $119,999	2
$120,000 – $129,999	4
$160,000 – $169,999	2
$170,000 – $179,999	2
$220,000 – $229,999	1
$250,000 – $259,999	1

Employee incentives

A new long-term incentive plan (**LTI Plan**) is being implemented for senior managers and employees (**Employees**) in conjunction with this Offer, to incentivise and retain those employees following the listing of AFT on the NZX Main Board and ASX.

Under the LTI Plan, participants will be granted options to acquire Shares (**Options**). One Option will give the participant the right to subscribe for (or otherwise purchase) one 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, including the number of Options to be granted, any consideration payable for the grant of Options, any vesting conditions, the exercise price and the expiry date for the Options.

The maximum aggregate number of Options which may be granted under the LTI Plan is 5% of the number of Shares on issue immediately after the Offer, unless shareholder approval is obtained.

The Board has agreed to make, conditional on the allotment of Shares under the Offer, an initial grant of the following Options on or about the Allotment Date:

NAME	OPTIONS	TOTAL NUMBER OF SHARES TO WHICH OPTIONS RELATE	EXERCISE PRICE	CONSIDERATION (IF ANY) FOR EACH OPTION	VESTING CONDITIONS	EXPIRY DATE OF OPTIONS
Malcolm Tubby	150,000	150,000	$2.80 per Option	The provision of personal services to AFT	• One or more minimum vesting periods expiring not earlier than the second anniversary of the grant date (during which the Employee must remain employed by AFT); and/or • A performance hurdle specific to the Employee (such as AFT meeting its revenue target for a key geography, or its development target for a key innovative product, in each case for a particular financial year).	4 years and 3 months after the Allotment Date
Mark Morrison	150,000	150,000				
Up to 75 other Employees	570,000	570,000				

No executive directors will participate in the initial grant of Options.

SHARE CAPITAL AND SHAREHOLDER INFORMATION

Equity securities of AFT

AFT currently has on issue:

- 1,179,600 Shares;
- 140,000 Series A Preferred Shares; and
- 54,120 Series B Preferred Shares.

Each Series A Preferred Share has a right to be paid a preference dividend equal to 6% of its issue price per annum, payable quarterly, and to participate pro rata in all dividends declared on the Shares. On a liquidation of AFT, each Series A Preferred Share entitles the holder to be repaid an amount equal to the sum of its issue price and any accrued or declared but unpaid dividends thereon in priority to any holders of Shares or Series B Preferred Shares.

Each Series B Preferred Share has a right to be paid a preference dividend equal to 5% of its issue price per annum, payable quarterly, and to participate pro rata in all dividends declared on the Shares. On a liquidation of AFT, each Series B Preferred Share entitles the holder to be repaid all accrued but unsatisfied preference dividends in priority to the rights attaching to the Shares.

Immediately before allotment of Shares under the Offer:

- the Series A Preferred Shares and the Series B Preferred Shares on issue will automatically convert in accordance with their terms into Shares on a one-for-one basis for nil consideration; and
- following the conversion of the Preferred Shares above, AFT will undertake a 62 for 1 share split of the then 1,373,720 existing Shares on issue,

such that immediately prior to allotment of Shares under the Offer, the only securities on issue will be 85,170,640 Shares.

Under the Constitution, any other class of equity securities of AFT that ranks equally with, or in priority to, the Shares may be issued without a special resolution of the holders of the Shares. However, the issue of new equity securities in AFT is governed by the NZX Listing Rules, which requires the approval by ordinary resolution of the holders of the Shares to the issue of new equity securities, except in certain circumstances set out in the NZX Listing Rules.

Substantial shareholders in AFT

The table below sets out the details of the persons who have relevant interests in 5% or more of a class of AFT's equity securities prior to the Offer (at the date of the PDS).

NAME	RELEVANT INTEREST HELD	PRIOR TO THE OFFER (pre Conversion and Share Split)		CONSIDERATION AND OTHER TERMS
		Equity securities	% of class	
Ordinary Shares				
Hartley Atkinson and Colin McKay as trustees of the Atkinson Family Trust	Registered holder	1,179,600 Shares	100%	Held 983 Shares as at May 2014 representing the following transactions: • 100 Shares issued on incorporation of AFT in September 1997 for $1 per share. • 900 Shares issued in July 2002 for nil consideration pursuant to a share split. • 249 Shares sold in July 2002 in exchange for 249 shares in Arques BVI. • 249 Shares acquired in May 2005 in exchange for 249 shares in Arques BVI. • 17 Shares sold in May 2014 for US$120,000 per share. 1,178,617 Shares issued in May 2014 for nil consideration pursuant to a share split.

NAME	RELEVANT INTEREST HELD	PRIOR TO THE OFFER (pre Conversion and Share Split)		CONSIDERATION AND OTHER TERMS
		Equity securities	% of class	
Series A Preferred Shares				
Capital Royalty Partners II – Parallel Fund "B" (Cayman) L.P.	Registered holder and beneficial owner of 50,000 Series A Preferred Shares Related body corporate of other CRG Funds, which hold 50,000 Series A Preferred Shares	100,000 Series A Preferred Shares	71.43%	Shares held by Capital Royalty Partners II – Parallel Fund "B" (Cayman) L.P.: • 4,998 Series A Preferred Shares acquired in September 2014 for US$105 per share. • 42,502 Series A Preferred Shares acquired in September 2014 for US$105 per share. • 2,500 Series A Preferred Shares acquired in September 2014 for US$105 per share.
Capital Royalty Partners II – Parallel Fund "A" L.P.	Registered holder and beneficial owner of 25,469 Series A Preferred Shares Related body corporate of other CRG Funds, which hold 74,531 Series A Preferred Shares			Shares held by Capital Royalty Partners II – Parallel Fund "A" L.P.: • 74,172 Series A Preferred Shares issued in May 2014 for US$100 per share. • 6,201 Series A Preferred Shares sold in July 2014 for US$102 per share. • 42,502 Series A Preferred Shares sold in September 2014 for US$105 per share.
Capital Royalty Partners II L.P.	Registered holder and beneficial owner of 18,668 Series A Preferred Shares Related body corporate of other CRG Funds, which hold 81,332 Series A Preferred Shares			Shares held by Capital Royalty Partners II L.P.: • 25,828 Series A Preferred Shares issued in May 2014 for US$100 per share. • 2,162 Series A Preferred Shares sold in July 2014 for US$102 per share. • 4,998 Series A Preferred Shares sold in September 2014 for US$105 per share.
Capital Royalty Partners II (Cayman) L.P.	Registered holder and beneficial owner of 5,863 Series A Preferred Shares Related body corporate of other CRG Funds, which hold 94,137 Series A Preferred Shares			Shares held by Capital Royalty Partners II (Cayman) L.P.: • 8,363 Series A Preferred Shares acquired in July 2014 for US$102 per share. • 2,500 Series A Preferred Shares sold in September 2014 for US$105 per share.

NAME	RELEVANT INTEREST HELD	PRIOR TO THE OFFER (pre Conversion and Share Split)		CONSIDERATION AND OTHER TERMS
		Equity securities	% of class	
Series A Preferred Shares				
Milford Asset Management Limited	Power to control the exercise of the right to vote attached to shares held by TEA Custodians (Milford) Limited as custodian for the Milford Active Growth Wholesale Fund	40,000 Series A Preferred Shares	28.57%	17 Shares acquired in May 2014 for US$120,000 per share. 20,383 Shares issued in May 2014 for nil consideration pursuant to a share split. 20,400 Shares reclassified in May 2014 as Series A Preferred Shares by AFT for nil consideration. 19,600 Series A Preferred Shares issued in May 2014 for US$100 per share.
Series B Preferred Shares				
Capital Royalty Partners II – Parallel Fund "B" (Cayman) L.P.	Registered holder and beneficial owner of 11,628 Series B Preferred Shares Related body corporate of other CRG Funds, which hold 11,628 Series B Preferred Shares	23,256 Series B Preferred Shares	42.97%	Shares held by Capital Royalty Partners II – Parallel Fund "B" (Cayman) L.P.: • 11,628 Series B Preferred Shares issued in May 2015 for US$129 per share.
Capital Royalty Partners II – Parallel Fund "A" L.P.	Registered holder and beneficial owner of 5,923 Series B Preferred Shares Related body corporate of other CRG Funds, which hold 17,333 Series B Preferred Shares			Shares held by Capital Royalty Partners II – Parallel Fund "A" L.P.: • 5,923 Series B Preferred Shares issued in May 2015 for US$129 per share.
Capital Royalty Partners II L.P.	Registered holder and beneficial owner of 4,341 Series B Preferred Shares Related body corporate of other CRG Funds, which hold 18,915 Series B Preferred Shares			Shares held by Capital Royalty Partners II L.P.: • 4,341 Series B Preferred Shares issued in May 2015 for US$129 per share.
Capital Royalty Partners II (Cayman) L.P.	Registered holder and beneficial owner of 1,364 Series B Preferred Shares Related body corporate of other CRG Funds, which hold 21,892 Series B Preferred Shares			Shares held by Capital Royalty Partners II (Cayman) L.P.: • 1,364 Series B Preferred Shares issued in May 2015 for US$129 per share.

NAME	RELEVANT INTEREST HELD	PRIOR TO THE OFFER (pre Conversion and Share Split)		CONSIDERATION AND OTHER TERMS
		Equity securities	% of class	
Series B Preferred Shares				
Hartley Atkinson and Colin McKay as trustees of the Atkinson Family Trust	Registered holder	14,535 Series B Preferred Shares	26.86%	14,535 Series B Preferred Shares issued in May 2015 for US$129 per share.
Dawson Farms Limited	Registered holder and beneficial owner	3,876 Series B Preferred Shares	7.16%	3,876 Series B Preferred Shares issued in May 2015 for US$129 per share.
Rivers One Limited as trustee of the Rivers One Trust	Registered holder (power to control the exercise of the right to vote these shares held by Jon Lamb)	2,907 Series B Preferred Shares	5.37%	2,907 Series B Preferred Shares issued in May 2015 for US$129 per share.

The table below sets out the details of persons who are likely to have relevant interests in 5% or more of a class of AFT's equity securities immediately after the Offer (following allotment of Shares).

NAME	FOLLOWING THE OFFER (indicative ownership on the basis that the Offer is fully subscribed)		
	Relevant interest	**Equity securities**	**% of class[34]**
Hartley Atkinson and Colin McKay as trustees of the Atkinson Family Trust	Registered holder	72,964,942 Shares	74.93% to 76.04%
Capital Royalty Partners II – Parallel Fund "B" (Cayman) L.P.	Registered holder and beneficial owner of 6,499,508 Shares Related body corporate of other CRG Funds, which are likely to hold 6,499,507 Shares	12,999,015 Shares	13.35% to 13.55%
Capital Royalty Partners II – Parallel Fund "A" L.P.	Registered holder and beneficial owner of 3,285,589 Shares Related body corporate of other CRG Funds, which are likely to hold 9,713,426 Shares		
Capital Royalty Partners II L.P.	Registered holder and beneficial owner of 2,444,415 Shares Related body corporate of other CRG Funds, which are likely to hold 10,554,600 Shares		
Capital Royalty Partners II (Cayman) L.P.	Registered holder and beneficial owner of 769,503 Shares Related body corporate of other CRG Funds, which are likely to hold 12,229,512 Shares		
Malcolm Tubby	Registered holder and beneficial owner	150,000 Options to purchase 150,000 Shares[35]	100%
Mark Morrison	Registered holder and beneficial owner	150,000 Options to purchase 150,000 Shares[36]	100%

[34] Ranges shown for Shares reflect the percentage excluding any oversubscriptions up to the percentage including maximum oversubscriptions.

[35] These Options are further described in this section under the heading *"Employee incentives"*.

[36] See footnote 35.

3. PURPOSE OF THE OFFER

The purpose of the Offer is primarily to raise capital for us to fund further growth and to enable the Selling Shareholder to realise a portion of its investment. The Offer comprises an offer by AFT of $30.2 million of new Shares plus oversubscriptions of up to $4.0 million new Shares (as determined by AFT), and an offer by the Selling Shareholder of $3.0 million of existing Shares.

The $30.2 million of gross proceeds from the offer of new Shares, together with the gross proceeds from any oversubscriptions, will be used as follows:

	USE OF PROCEEDS BY AFT	STRATEGY
43%	To fund the following development programmes in respect of *Maxigesic*: • clinical trials for the IV dose form; • development and clinical trials for a rapid acting formulation; and • development of oral liquid, *Maxigesic PE* and powder sachet formulations.	To accelerate *Maxigesic* geographical market expansion and product line extension.
18%	To fund the following development programmes: • *Maxiclear PE* clinical study programme; • *Fibroleve* development programme in Asian patients; and • *Pascaderm* development programme.	To accelerate the development and entry to market of these key innovative products.
10%	To fund *SURF* Nebuliser clinical trials.	To target registration of the *SURF* Nebuliser in 2016 and commencement of sales in early 2017.
7%	• To increase our business development team. • To increase our salesforce in Australia and Southeast Asia. • To license new products for commercialisation into Southeast Asian markets.	• To assist us in entering into licence or distributor arrangements for our key innovative products in new global markets. • To grow our existing business in Australia and Southeast Asia. • To grow our product portfolio in Southeast Asia.
12%	To provide capital for future business growth opportunities.	To enable us to pursue new market or new product opportunities that meet our criteria.
10%	Offer costs.	Payment for legal, accounting and financial advisory costs as well as listing costs.

There is no minimum amount that must be raised under the Offer. The use of the money raised under the Offer will not change depending on the total amount that is raised. The Offer is not underwritten.

4. KEY DATES AND OFFER PROCESS

The intended key dates for the Offer are:

Broker Firm Offer and Priority Offer opens	**Friday 4 December 2015**
Priority Offer closes	**Wednesday 16 December 2015, 5.00pm**
Broker Firm Offer closes	**Thursday 17 December 2015, 5.00pm**
Allotment Date	**Monday 21 December 2015**
Earliest expected mailing of holding statements	**Monday 21 December 2015**
Expected commencement of trading on the NZX Main Board and ASX	**Tuesday 22 December 2015**

These dates are indicative only and may be changed by AFT. Changes will be advised by NZX announcement. AFT may also withdraw the Offer at any time before the allotment of Shares.

5. TERMS OF THE OFFER

KEY TERMS

The table below sets out the terms of the Offer. All Shares are issued on the terms set out in the Constitution, a copy of which is available on the Disclose Register at www.business.govt.nz/disclose under AFT's file reference (OFR10331).

What is the Offer?	The Offer is an offer of ordinary shares in AFT, comprising both new Shares to be issued by AFT and existing Shares held by the Selling Shareholder. All Shares will be issued and sold at the Price and will be fully paid ordinary shares in AFT which rank equally with each other and all other Shares.
Key dates	See Section 4 (*Key dates and Offer Process*) for information about the key dates of the Offer.
Price	You will pay the Price in full, being $2.80 per Share. No brokerage, commission or stamp duty is payable by you under the Offer. The Price has been set by AFT in consultation with the Lead Manager, following a bookbuild with Institutional Investors and having taken into account pricing indications received from Institutional Investors.
Structure of the Offer	The Offer comprises: • a Broker Firm Offer, which is available to New Zealand and Australian resident clients of Brokers that have received an allocation from that Broker; • a Priority Offer, which is available to New Zealand and Australian resident customers, suppliers and employees of AFT, and other persons invited to participate by AFT of $3.0 million of Shares plus oversubscriptions of up to $4.0 million of Shares (as determined by AFT); • an Institutional Offer, which is an invitation to bid for Shares made to selected Brokers and Institutional Investors in New Zealand, Australia and certain other jurisdictions (excluding the US); and • a US Private Placement, which is an invitation to bid for Shares made to Approved US Persons. There is no general public offer. Therefore if you are not eligible to participate in the Priority Offer and you wish to subscribe for Shares you must do so through a Broker with an allocation of Shares. The key terms of the Broker Firm Offer, the Priority Offer, the Institutional Offer and the US Private Placement are described further under the headings "*Broker Firm Offer and Priority Offer*" and "*Institutional Offer and US Private Placement*" below.
Size of the Offer	The Offer comprises: • an offer by AFT of $30.2 million of new Shares by AFT (being 10.8 million new Shares) plus oversubscriptions of up to $4.0 million of new Shares (being 1.4 million new Shares); and • an offer by the Selling Shareholder of $3.0 million of existing Shares (being 1.1 million existing Shares following the Share Split). The expected gross proceeds from the Offer will be $33.2 million (excluding oversubscriptions), of which AFT will receive $30.2 million. As at the date of this PDS, 5,357,143 Shares ($15.0 million) have been reserved for subscription by the CRG Funds under the US Private Placement.

	Applications will first be applied to the offer of new Shares by AFT. Only once $30.2 million of new capital is raised by AFT under the Offer will applications for the existing Shares that are being offered by the Selling Shareholder be accepted. AFT retains a discretion to accept oversubscriptions up to an additional $4.0 million of new Shares. Any oversubscriptions will only be accepted once $30.2 million of new capital has been raised by AFT and $3.0 million of existing Shares has been sold by the Selling Shareholder. The proceeds of any oversubscriptions accepted by AFT will provide AFT with up to an additional $4.0 million of new capital.
Applications	An Application is an offer by you to subscribe for Shares having the value specified in the Application Form, at the Price, on the terms and conditions set out in this PDS (including any replacement of it), the Disclose Register (at www.business.govt.nz/disclose under AFT's offer number (OFR10331) and the Application Form. By submitting an Application Form, you irrevocably agree to purchase the Shares on those terms.
AFT's discretions relating to the Offer	AFT may withdraw the Offer, or any part of it, at any time before the allotment of Shares to successful Applicants in the applicable part of the Offer. AFT reserves the right to close the Offer or any part of it early, extend the Offer, accept late Applications or settlement or accept bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or any bidder fewer Shares than applied or bid for.
Refunds and scaling	If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest) within five Business Days after the announcement of that decision. If you apply for a total Application amount that is not a multiple of the Price, your Application will be rounded down to the nearest multiple of the Price and any difference will be retained by AFT. Money received in respect of Applications which are declined in whole or in part will be refunded (without interest) in whole or in part, as the case may be, within five Business Days after the Allotment Date. Any refunds will be made in the manner in which the relevant Applicant or bidder elected any future dividends to be paid.

Allocations	The allocation of Shares between the Broker Firm Offer, the Priority Offer, the Institutional Offer and the US Private Placement will be determined by AFT in consultation with the Lead Manager. If the value of Applications received under the Priority Offer is greater than the $3.0 million of Shares available under the Priority Offer, Applications will be scaled back in such manner as AFT may determine in consultation with the Lead Manager. AFT retains the discretion to accept oversubscriptions under the Priority Offer up to an additional $4.0 million of new Shares. There is no assurance that any person applying for Shares under the Priority Offer will be allocated any Shares, or the number of Shares for which it has applied. Applicants in the Priority Offer should contact the Share Registrar by email at aft@computershare.co.nz to find out if their Application was successful. In the event that demand for Shares in the Priority Offer does not meet the quantity reserved for Priority Offer Applicants, the residual shares may be reallocated at the discretion of AFT to Institutional Investors, Brokers or Approved US Persons. The allocation of Shares among Institutional Investors, Brokers and Approved US Persons will be determined by AFT in consultation with the Lead Manager. The allocation policy will be influenced by a number of factors, which may include: • the number of Shares bid by particular bidders; • the timeliness of the bid by particular bidders; • AFT's desire for an informed and active trading market following listing on the NZX Main Board and ASX; • AFT's desire to establish a wide spread of institutional Shareholders; • the level of demand, including under the Broker Firm Offer, the Priority Offer, the Institutional Offer and the US Private Placement; • in the case of Institutional Investors and Approved US Persons, an assessment of whether they will be long term Shareholders; • in the case of Brokers, their overall support for the Offer; and • any other factors that AFT considers appropriate. As at the date of this PDS, 5,357,143 Shares ($15.0 million) have been reserved for subscription by the CRG Funds under the US Private Placement. There is no assurance that any Institutional Investor, Broker or Approved US Person will be allocated any Shares, or the number of Shares for which it has bid. Allocations by Brokers to their New Zealand or Australian resident clients will be determined by those Brokers. It will be a matter for the Brokers to ensure that their New Zealand or Australian resident clients who have received an allocation from them receive their Shares. Broker Firm Offer Applicants should contact the Broker from whom they received their allocation to find out if their Application was successful.

Allotments	Any New Zealand resident with a CSN will have their Shares allotted under their CSN, if the CSN was provided on their Application Form. Broker Firm Offer Applicants and Priority Offer Applicants who do not have a CSN or who do not provide a CSN on their Application Form, will be allocated a CSN at the time of Application. The CSN will be advised at the time the allotment of Shares is confirmed and the associated Authorisation Code (FIN) will be sent as a separate communication by mail. Shares allocated under the Offer are expected to be allotted on Monday 21 December 2015. Holding statements are expected to be sent to all successful Applicants from Monday 21 December 2015. No person accepts any liability should you or any person attempt to sell or otherwise deal with Shares before you receive a statement confirming the number of Shares allotted to you (if any). If you wish to sell your Shares on the NZX Main Board, after confirming your allocation, you must contact an NZX Firm and have a CSN and an Authorisation Code (FIN). Opening a new broker account can take a number of days depending on the NZX Firm's new client procedures. If you do not have a CSN, you will: • be assigned one when you set up an account with an NZX Firm; or • receive one from the Share Registrar. If you do not have a FIN, it is expected that you will be sent one as a separate communication by the Share Registrar. If you have a Broker and have not received a FIN by the date you want to trade your Shares, your Broker can obtain one, but may pass the cost for doing so on to you. AFT expects that trading of the Shares on the NZX Main Board and ASX will commence on Tuesday 22 December 2015. If admission to list on the NZX Main Board is denied, the Offer will not proceed. Failure to achieve admission to list on the ASX will not, of itself, prevent the issue or sale of Shares under the Offer from proceeding.
No guarantee	No person guarantees the Shares offered under the Offer. No person warrants or guarantees the performance of the Shares or any return on any investments made pursuant to this PDS.

BROKER FIRM OFFER AND PRIORITY OFFER

	BROKER FIRM OFFER	PRIORITY OFFER
Who can apply	The Broker Firm Offer is open to New Zealand and Australian residents who have received an allocation from their Broker. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.	The Priority Offer is open to New Zealand and Australian resident customers, suppliers and employees of AFT, and other persons invited to participate by AFT. You should contact AFT to determine whether you are eligible to apply in the Priority Offer.
How to apply	See Section 11 *(How to apply)* for details.	
Minimum and maximum Application amount	Applications under the Broker Firm Offer must be for a minimum of 350 Shares ($980). The maximum amount that can be applied for under the Broker Firm Offer will be determined by your broker.	Applications under the Priority Offer must be for a minimum of $500. There is no maximum amount that can be applied for under the Priority Offer.
How to pay	See the Application Form for payment details.	
When to apply	The Broker Firm Offer opens at 9.00am on Friday 4 December 2015. You should send your completed Application Form and Application Monies to your Broker in time to enable forwarding to the Share Registrar by 5.00pm on Thursday 17 December 2015.	The Priority Offer opens at 9.00am on Friday 4 December 2015. You should send your completed Application Form and Application Monies to the Share Registrar by 5.00pm on Wednesday 16 December 2015.

INSTITUTIONAL OFFER AND US PRIVATE PLACEMENT

Institutional Offer

The Institutional Offer consisted of an invitation prior to the date of the PDS to selected Institutional Investors in New Zealand, Australia and certain other jurisdictions (excluding the US) to apply for Shares under the Offer.

The Lead Manager has separately advised invited Institutional Investors of the additional terms and conditions, and the Application procedures for the Institutional Offer.

US Private Placement

The US Private Placement consisted of an invitation prior to the date of the PDS to Approved US Persons to apply for Shares under the Offer.

AFT has separately advised the Approved US Persons of the additional terms and conditions, and Application procedures for the US Private Placement. The Lead Manager is not managing the US Private Placement.

LISTING

NZX Main Board Listing

AFT has applied to NZX for permission to list AFT and to quote the Shares on the NZX Main Board, and all the requirements of NZX relating to the application that can be complied with on or before the date of this PDS have been duly complied with. However, NZX accepts no responsibility for any statement in this PDS. The NZX Main Board is a licensed market operated by NZX, which is a licensed exchange, regulated under the FMC Act.

Quotation of the Shares on the NZX Main Board is expected to occur under the stock code "AFT" on Tuesday 22 December 2015.

AFT has applied to NZX for a waiver from NZX Main Board Listing Rule 5.2.3 for a period of twelve months to allow AFT to have fewer than 25% of the Shares held by at least 500 Members of the Public holding at least a Minimum Holding. Given 5,357,143 Shares ($15.0 million of Shares) have been reserved as at the date of this PDS for subscription by the CRG Funds under the US Private Placement, AFT expects the percentage of Shares to be held by Members of the Public holding at least a Minimum Holding at the Allotment Date to be approximately 10.0% (assuming no oversubscriptions). The implication of this waiver is that Shares may not be widely held and there may be reduced liquidity in the Shares following quotation.

ASX Listing

AFT has applied to ASX to be admitted to the official list of ASX as an ASX Foreign Exempt Listing and for the Shares to be granted official quotation on the financial market operated by ASX. ASX is not a registered market under the FMC Act.

As an ASX Foreign Exempt Listing, AFT will need to comply with the NZX Listing Rules (other than as waived by NZX) but will only need to comply with the ASX Listing Rules to the extent specified in ASX Listing Rule 1.15.

ASX takes no responsibility for the contents of this PDS (or the Additional Australian Information) or for the merits of the investment to which this PDS and the Additional Australian Information relate. Admission to the official list of ASX as an ASX Foreign Exempt Listing and quotation of the Shares on the ASX are not to be taken as an indication of the merits, or as an endorsement by ASX, of AFT or the Shares.

Quotation of the Shares on ASX is expected to occur under the stock code "AFP" on or about Tuesday 22 December 2015.

ESCROW ARRANGEMENTS

The Selling Shareholder, the CRG Funds and each of the directors and senior managers who hold relevant interests in Shares at the date of the PDS (being David Flacks, Jon Lamb, Doug Wilson, Jim Burns and Malcolm Tubby) (together the **Escrowed Shareholders**) have entered into escrow arrangements with AFT in respect of the following Shares (the **Escrowed Shares**):

- for the Selling Shareholder, the Shares held by the Selling Shareholder upon listing of AFT other than any Shares offered for sale by the Selling Shareholder under the Offer; and
- for each other Escrowed Shareholder, the Shares held by that Escrowed Shareholder upon listing of AFT other than any Shares acquired by the Escrowed Shareholder under the Offer.

Under these arrangements, each Escrowed Shareholder has agreed not to sell or otherwise dispose of any of the Escrowed Shares until the first Business Day after AFT's preliminary announcement has been released in respect of its financial results for the year ending 31 March 2017, except that the Selling Shareholder may sell or otherwise dispose of 15% of the Escrowed Shares held by it from the first Business Day following the six month anniversary of quotation of the Shares on the NZX Main Board.

These restrictions do not apply (and therefore Escrowed Shares can be sold) in certain circumstances. You can find out more information about the escrow arrangements on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled "Other material information relating to the Offer".

The Escrowed Shares held by the Escrowed Shareholders will represent, in aggregate, 84.4% of the total Shares on issue following the Offer, on the basis the Offer is fully subscribed and there are no oversubscriptions.

SELLING RESTRICTIONS

The Offer is only being made to:

- New Zealand and Australian resident clients of Brokers under the Broker Firm Offer;
- New Zealand and Australian resident customers, suppliers and employees of AFT, and persons invited to participate by AFT under the Priority Offer;
- selected Institutional Investors and Brokers in New Zealand, Australia and certain other jurisdictions (excluding the US) under the Institutional Offer; and
- Approved US Persons under the US Private Placement.

The Offer is being made in Australia in reliance on the Trans-Tasman mutual recognition scheme in Chapter 8 of the Corporations Act 2001 (Cth) and the Corporations Regulations 2001 (Cth).

This PDS is intended for use only in connection with the Offer and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been, or will be, taken to register or qualify the Shares, the Offer or this PDS in any jurisdictions other than New Zealand and Australia or to otherwise permit a public offering of Shares outside of New Zealand and Australia. The distribution of this PDS (including in any electronic form) outside New Zealand and Australia may be restricted by law and persons who come into possession of this PDS outside New Zealand and Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. **This PDS is not for distribution in the US except by AFT to Approved US Persons.**

You may not offer, sell, resell, pledge, deliver or transfer or invite any other person to so offer, sell, resell, pledge, deliver or transfer any Shares or distribute any documents (including this PDS) in relation to the Shares to any person outside New Zealand or Australia, except in accordance with all of the legal requirements of the relevant jurisdiction.

The Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (**US Securities Act**) or any US state securities laws. The Shares may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the US (as defined in Regulation S under the US Securities Act) unless the offer and sale of the Shares have been registered under the US Securities Act or pursuant to an exemption from, or a transaction not subject to, the registration requirements of the US Securities Act. The Shares are being offered and sold outside the US in reliance on Regulation S under the US Securities Act.

Unless otherwise agreed with AFT, by applying for Shares under the Offer you will, by virtue of that Application, be deemed to represent that you are not in a jurisdiction which does not permit the making of an Offer or invitation of the kind described in this PDS and are not acting for the account or benefit of a person within such a jurisdiction.

No person involved with the Offer accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

FURTHER INFORMATION

The following information can be found on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled "Other material information relating to the Offer":

- selling restrictions relating to the Takeovers Code and the Overseas Investment Act 2005;
- a warning statement on forward looking statements; and
- Australian Securities and Investment Commission relief obtained.

6. KEY FEATURES OF THE SHARES

Shares

All Shares issued or sold under the Offer will be fully paid ordinary shares in AFT which rank equally with each other and all other ordinary shares in AFT on issue.

The key features of the Shares do not differ from those that apply to ordinary shares in a company generally.

Dividend policy

Dividends and other distribution on Shares are made at the Board's discretion and depend on the financial performance of AFT. The payment of dividends is not guaranteed. Our dividend policy may change over time. The Board's decisions as to the level of reserves and retentions may affect any dividends or distributions on the Shares.

In determining dividends payable to Shareholders, we must comply with the solvency test in the Companies Act. As set out in Section 2 (*AFT and what it does*), our short to medium term focus is on investment in our product research and development, including market development, which will require significant cash resources. Once AFT reaches the point where our business is generating significant free cash flow on a sustainable basis, the Board will give favourable consideration to the payment of dividends. Factors expected to influence or affect the Board's decision to pay dividends over time include:

- projected working capital requirements;
- the financial performance and level of profitability of AFT;
- one-off or non-recurring events;
- AFT's capital expenditure requirements;
- any statutory or regulatory requirements;
- prevailing business and economic conditions;
- the outlook for all of the above; and
- any other factors deemed relevant by the Board.

The payment of any dividend prior to the repayment or prepayment of AFT's term loan agreement with the CRG Funds (described further in Section 7 (*AFT's Financial Information*) under the heading *"Interest bearing liabilities"*) will require the approval of the CRG Funds.

7. AFT'S FINANCIAL INFORMATION

The following financial information is presented in this section:

- *Statutory financial information* as reported in our audited consolidated financial statements for FY2013 to FY2015.
- *Interim financial information* as reported in our unaudited consolidated condensed interim financial statements for 1HFY2015 and 1HFY2016.

The following financial information is available on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331):

- our audited consolidated financial statements for FY2015, which include comparative information for FY2013 and FY2014, and accompanying auditor's report on those statements; and
- our unaudited consolidated condensed interim financial statements for 1HFY2016, which include comparative information for 1HFY2015, and accompanying independent review report on those statements.

Certain information included in this section (being operating expenses, research and development, dividends – Series A Preferred Shares, dividends – Series B Preferred Shares, gross margin, selling and distribution, general & administration and product development (net of government grants)) has not been taken from AFT's financial statements and has not been prepared in accordance with GAAP. A reconciliation of that information to information prepared in accordance with GAAP is available on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled "A reconciliation of non-GAAP to GAAP information".

These tables provide key financial information about AFT. Full financial statements are available on the offer register at www.business.govt.nz/disclose under AFT's offer number (OFR10331). If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

Selected financial information

Financial information

NZD$000		FY2013	FY2014	FY2015	1HFY2015	1HFY2016
Revenue	1	40,363	48,939	56,241	24,153	29,543
Gross Profit		17,290	20,330	21,158	8,876	10,382
Licensing Income	1	–	897	296	–	971
Operating Expenses		12,603	16,068	22,404	10,855	12,706
Research and Development		3,763	4,081	4,787	2,304	2,049
EBITDA		924	1,078	(5,737)	(4,283)	(3,402)
Net Profit/(Loss) after Tax		172	(1,113)	(12,873)	(6,112)	(6,367)
Dividends – Series A Preferred Shares	2	–	–	1,040	467	722
Dividends – Series B Preferred Shares	2	–	–	–	–	238
Dividends – total	2	–	–	1,040	467	960
Total Assets		21,136	25,393	33,213	30,724	40,689
Cash and Cash Equivalents		1,082	1,248	4,700	4,802	10,016
Total Liabilities (including Total Debt)		16,797	22,345	31,192	21,191	36,731
Total Debt		12,508	13,137	20,739	11,833	24,721
Net Cash Flows from Operating Activities		(3,971)	(290)	(13,105)	(7,018)	(3,671)

Notes:

(1) Revenue is referred to as "operating revenue" throughout the PDS to emphasise that it excludes Licensing Income, which is non-recurring in nature. Licensing income is referred to as "non-recurring licensing income" throughout the PDS to emphasise that it is non-recurring in nature.

(2) Preference dividends were paid on the Series A Preferred Shares and Series B Preferred Shares in FY2015 and 1HFY2016 as required in accordance with the terms of issue of those shares. All Series A Preferred Shares and Series B Preferred Shares on issue will convert into Shares immediately before allotment of Shares under the Offer, as further described in Section 2 (*AFT and what it does*) under the heading *"Equity securities of AFT"*.

Capitalisation

CAPITALISATION TABLE	
The number of Shares being offered under the Offer	11.9 million (plus oversubscriptions of up to 1.4 million)
Total number of Shares on issue following the Offer[1]	96.0 million
Implied market capitalisation of AFT following the Offer[2]	$268.7 million
Estimated net cash following the Offer[3, 4]	$12.5 million
Implied enterprise value of AFT following the Offer[5]	$256.2 million

Notes:

(1) Based on the existing Shares on issue (following Conversion and Share Split) prior to the Offer of 85.2 million plus 10.8 million of new Shares to be issued under the Offer, on the basis that the Offer is fully subscribed and there are no oversubscriptions

(2) Calculated as the total number of Shares on issue following the Offer (on the basis that the Offer is fully subscribed and there are no oversubscriptions) multiplied by the Price

(3) Estimated to comprise $37.2 million of cash and cash equivalents and $24.7 of interest-bearing liabilities

(4) Estimated net cash position of AFT of approximately $(14.7) million as at the date of this PDS, adjusted for assumed $30.2 million raised by AFT under the Offer less approximately $3.0 million of Offer costs

(5) Calculated as indicative market capitalisation less estimated net cash

Explanation of implied market capitalisation and implied enterprise value

Implied market capitalisation is the value of all of AFT's equity securities, as implied by the price of the Shares being offered. It tells you what AFT and the Selling Shareholder are proposing that AFT's equity is worth.

Implied enterprise value (**EV**) is a measure of the total value of the business of AFT, as implied by the price of the Shares being offered. Implied enterprise value is the amount that a person would need to pay to acquire all of AFT's equity securities and to settle all of the Group's borrowings. It is a measure of what AFT is proposing the business of the Group as a whole is worth.

No prospective financial information

There is no prospective financial information in this PDS. The Board has, following careful consideration and after due enquiry, concluded that the provision of prospective financial statements for the period to 31 March 2016, and the subsequent accounting period to 31 March 2017, would be likely to mislead or deceive potential investors with regard to particulars that are material to the Offer. The Board believes that it is not practicable to formulate reasonable assumptions on which to base prospective financial statements.

The Board's reasons for this opinion are as follows:

- Regulatory approvals are currently being sought for key products in a number of jurisdictions (including *Maxigesic* tablet in the US and certain EU countries, *Maxiclear PE* in Australia and *Fibroleve* in Malaysia). It is very difficult to predict when these approvals will be obtained, and therefore when operating revenues from these products in these markets will commence.
- Several of our most promising products for growth (*Maxigesic, Maxiclear PE* and *Crystaderm*) are just now entering, or will soon enter, new markets through third party distribution and licensing arrangements. This combination of new markets and new sales channels makes it very difficult to forecast the timing and growth rate of operating revenues and non-recurring licensing income from these products.
- AFT expects to use approximately 70% of the capital raised in the Offer to fund development programmes including clinical trials, which can be expensive. The timing of implementation of development programmes and clinical trials and therefore the incurrence of related expenditure can vary significantly due to a number of factors, including unexpected outcomes during preclinical testing (which may delay or accelerate product development) and patient recruitment rates for trials.
- The timing of completion of clinical trials and the results of those trials are also difficult to predict, given the inherent uncertainty in pharmaceutical product development. Successful completion of clinical trials is a pre-requisite to seeking and obtaining regulatory approval in order to bring new products to market and in turn to begin generating operating revenues from those products.

Given the inability to reliably determine reasonable assumptions for the periods covered by prospective financial information, the Board is of the view that any prospective financial statements would be

likely to mislead or deceive potential investors in a material manner because actual operating revenue or expenditure for that period could be materially different from that forecast.

FINANCIAL OVERVIEW OF THE BUSINESS MODEL

A summary of how we generate revenue

Our core business is the development, marketing, and distribution of a broad range of pharmaceutical products. We generate revenue in Australia and New Zealand primarily from the sale of products through our direct sales force and tender contracts. We also generate revenue from the sale of products outside of Australia and New Zealand through our direct sales force and third party distributors and licensees. We currently experience seasonality with respect to sales (for example, our allergy products sell more during the Australasian summer) with approximately 60% of our FY2015 operating revenue generated in the second half of that financial year. We expect this dynamic to change as Rest of World sales begin to make up a larger proportion of total sales.

Key drivers of our financial performance can be found in Section 1 (*Key Information Summary*) under the heading *"Key drivers of returns"*.

Direct Product Sales

We have a combined team of 44 sales staff across Australia and New Zealand who market our products directly to pharmacy chains, independent pharmacies, public and private hospitals, and selected optometrists and dentists. These customers purchase primarily through licensed wholesalers. We sell our products to these licensed wholesalers and a small number of direct customers. Our warehousing and logistics is provided by a third party warehouse and logistics provider which allows us to maximise the number of end customers we supply while minimising the number of parties handled by our logistics and accounts receivable teams. Trading terms average 45 days and there is a good credit history. We also sell OTC products to supermarket chains in New Zealand with direct head office representation and the support of a grocery specialist broker and a nationwide sales and merchandising team.

In Australia and New Zealand, the prices we can charge for our OTC products, which represented 48% of operating revenue for FY2015, are unregulated and based on normal supply and demand and market pricing. For our prescription products, which represented 30% of operating revenue for FY2015, prices are set primarily by PBS and PHARMAC and the balance based on market prices. For most of our hospital products, which represented 22% of operating revenue for FY2015, prices are set by PBS and PHARMAC, and tender contracts.

In Southeast Asia (currently Malaysia, Singapore and Brunei) we sell our hospital and prescription products to hospitals and doctors through our regional sales offices. Our sales team of three is supported by third party distributors in Malaysia and Singapore who process the orders and dispatch from their warehouses. The distributors hold stock on consignment with trading terms averaging 60 days following month of sale. In Brunei, we sell our products to a third party distributor that supplies the market.

Third Party Distribution and Out-Licensing

As we expand, our sales and distribution strategy and revenue model is expected to heavily shift towards established "in-market" third party licensees and distributors. The principal advantage over using a direct sales force is our ability to leverage licensees' and distributors' existing networks, knowledge and expertise in their local markets. The costs of establishing a presence in markets outside of Australia and New Zealand are thus minimised, accelerating cost efficient speed to market.

In Vietnam, Taiwan and other parts of Asia we have out-licensing or distribution agreements for a range of products. We sell in US$ and Euro on a variety of payment terms.

In the EU, we have out-licensing arrangements for *Maxigesic* with local and/or regional pharmaceutical companies. Under the out-licensing model, the licensee usually sells our product under their own brand name. We earn (a) milestone-based lump sum fees (licensing income), (b) revenue on products sold by us to the licensee, and (c) revenue royalties on sales made by the licensee. The milestone-based lump sum fees are non-recurring payments which are typically earned on signing of the licence, and on registration and commercialisation of the licensed products. The more significant revenue comes from product sales and/or royalties. The amount of royalties we earn on licensee sales will vary depending on whether we are also responsible for the supply of products to the licensee. Revenues are primarily generated in US$ and Euro.

The combination of out-licensing fees, product sales and royalties will vary between licences. For example, we expect *Maxigesic* will earn a margin on net sales of products under each licence and a royalty in keeping with those commonly obtained in the industry, depending on the licensed product and territory concerned.

REVIEW OF FINANCIAL PERFORMANCE AND POSITION

The table below shows our EBITDA for the three years to 31 March 2015 and for the six month periods to 30 September 2014 and 30 September 2015.

NZD$000	FY2013	FY2014	FY2015	1HFY2015	1HFY2016
Operating Revenue	40,363	48,939	56,241	24,153	29,543
Cost of Sales	23,073	28,609	35,083	15,277	19,161
Gross Profit	**17,290**	**20,330**	**21,158**	**8,876**	**10,382**
Gross Margin	42.8%	41.5%	37.6%	36.7%	35.1%
Non Recurring Licensing Income	–	897	296	–	971
Operating Expenses	12,603	16,068	22,404	10,855	12,706
Research and Development	3,763	4,081	4,787	2,304	2,049
EBITDA	**924**	**1,078**	**(5,737)**	**(4,283)**	**(3,402)**

Note:
Gross margin is defined as: gross profit divided by operating revenue. Gross margin is an indication of how profitable the business operations of AFT are.

Recent financial performance

Operating Revenue

In both FY2014 and FY2015 we have actively pursued a strategy of expanding our presence in Australia. This drove our operating revenue growth rate of 21% to $48.9m in FY2014 and 15% to $56.2m in FY2015. We also made our first sales in the Rest of World. Operating revenue of $29.5m for the first six months of FY2016 grew 22% on the same period for FY2015, driven by across the board sales growth and growing contributions from sales outside Australia and New Zealand.

Gross Margins

Gross margins in FY2015 declined due to a number of factors, including:

- the decline in the A$/US$ exchange rate;
- the strong revenue growth of lower margin hospital products (these have lower margins but also have lower customer support costs);
- a cost increase in a fast growing OTC product, which we are addressing with the introduction of a second manufacturing site for the product with lower costs; and
- the large pre-launch Australian stock orders of *Maxigesic* at the end of FY2014, which artificially lowered the regular monthly orders for *Maxigesic* (which has a relatively higher margin) in FY2015.

Margins in the first half of FY2016, were 1.6% lower than the first half of FY2015 due primarily to the weakening of the NZ$ against the US$ and Euro. We are currently reviewing our selling prices and anticipate some increases in the near future.

Margins are expected to improve as revenues grow from our key innovative products using the third party licensee and distributor model in our global markets. Importantly, profits will be generated in US$ and Euro which will provide a natural hedge against products purchased for the Australian and New Zealand markets in US$ and Euro, and to pay US$ denominated debt. It is expected that both income from the *SURF* Nebuliser RFID card and product royalties will also contribute significantly to increasing margin.

Non-recurring Licensing Income

Non-recurring licensing revenues are milestone-based payments which are typically earned on signing of a licence, and on registration and commercialisation of licensed products. Timing of the non-recurring licensing revenue will depend on a number of factors including the stage of registrations in the respective territories and the licensee's market and internal timetables. Timing of this revenue is difficult to forecast and is unrelated to AFT's financial year end.

The sale of product and royalty streams earned from these out-licence arrangements are recorded in operating revenue.

Expenses

The additional operating revenue growth, primarily in Australia and Southeast Asia, has required significant additional expenditure in the areas of marketing, selling and employment of sales staff, leading to an increase in operating expenditure since FY2013. Ongoing benefits of this expenditure are expected to continue with growth in revenue. Product launches in Australia in FY2015, which incurred a $5.6m marketing expenditure and represented 21% of Australia's operating revenues in FY2015, led to a significant increase in costs in that financial year that is not anticipated to continue long term (this expenditure will become a lower percentage of operating revenues).

Historically we have re-invested as much of our operating surpluses into research and development as we are able, which has reduced EBITDA. The capital re-financing in May 2014 has enabled us to invest in increased research and development, sales force expansion in Australia and Southeast Asia, and to launch *Maxigesic* and additional higher margin OTC products such as *Coco-Scalp*, *Hylo-Forte* and *Hylo-Fresh* in Australia. Research and development expenditure has not been capitalised which has significantly contributed to the current operating losses.

We intend to maintain an increased level of research and development (in dollar terms) expenditure for the next few years to maximise the potential of our key innovative products. This expenditure ahead of revenues will also reduce operating earnings until the revenue streams are generated. Revenues are already commencing from various markets from the out-licensing of the first key innovative product, *Maxigesic* tablet. We expect there will be a significant stream of further key innovative products to more than offset the research and development expenditure.

We expect to substantially complete the research and development of our key innovative products within the next two to three years following the date of this PDS. Assuming no material delays in the development of those products and no material research and development expenditure on other new products, we target to return to positive EBITDA no later than that time period. The level and timing of a return to profitability depends on the various matters discussed in Section 7 (*AFT's Financial Information*) under the heading *"No prospective financial information"*.

Overview of operating revenue by region

An overview of our operating revenue by region can be found on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331) in the document entitled "Other material information relating to the Offer".

Overview of expenses by nature

NZD$000	FY2013	FY2014	FY2015	1HFY2015	1HFY2016
Cost of Sales	**23,073**	**28,609**	**35,083**	**15,277**	**19,161**
Selling and Distribution	8,838	12,032	17,130	8,064	9,514
General and Administration	3,765	4,036	5,274	2,791	3,192
Operating Expenses	**12,603**	**16,068**	**22,404**	**10,855**	**12,706**
New Market Development	794	722	1,140	603	722
Product Development (net of government grants)	2,969	3,359	3,647	1,701	1,327
Research and Development	**3,763**	**4,081**	**4,787**	**2,304**	**2,049**

Cost of sales

Cost of sales represents the total cost of sourcing finished product of all products sold. Year-on-year growth is largely in line with sales volume growth. The margin has been negatively impacted by the product mix variations and A$/US$ exchange decline, as detailed in this section under the heading *"Recent financial performance"*. We expect the growth in revenues from our key innovative products at improved margins to address this erosion in addition to achieving certain price increases. Our third party manufacturers purchase raw materials and packaging materials from a number of qualified and approved third party suppliers primarily on a purchase order basis. We believe that our current and potential alternative sources of supply will be adequate to meet future product demands.

Selling and distribution

Selling costs have increased year-on-year reflecting significant additional sales staff in growing markets, particularly Australia and to a lesser degree Southeast Asia. Most of the sales infrastructure for Australia is now in place so no further significant increase will be required. Distribution costs, predominantly through third party warehousing and delivery have increased in line with sales volumes, with a modest increase in fee charges towards the end of FY2015.

General and administration expenses

General and administration expenses include the costs of operating our head office in Auckland, New Zealand, managing supplier relationships and procurement of stock, regulatory activity, marketing expenditure and accounting activity.

We lease offices in Auckland and Sydney, and sub-lease in Malaysia. We expect to lease a separate dedicated office space in Singapore commencing in 2016 as the business expands there. In addition, we expect to lease a standalone office facility in Kuala Lumpur in this financial year.

Research and development expenses

Research and development expenses include both product development activity and new market development.

For FY2015, FY2014 and FY2013, we recorded $3.6 million, $3.4 million and $3.0 million, respectively, in product related research and development expenses (net of the Government's Callaghan Innovation grant), and $1.1 million, $0.7 million and $0.8 million respectively on the development of new markets. These comprise expenditure such as market information, in-licences for new products and out-licensing costs. For FY2016 and beyond, we expect that our research and development expenses will increase from these historical levels, particularly as we initiate our planned clinical trials and development initiatives, aimed at extending the life span and prolonging sales of our promoted brands.

Foreign Exchange

We purchase goods and services from overseas suppliers and have borrowings which are denominated in US$. Other goods and services are purchased in Euro and Pound Sterling. This exposes us to foreign currency risk. We manage foreign currency risk through use of forward exchange contracts (derivative arrangements). The exposure is monitored on a regular basis based on our foreign exchange policies. Future revenues from markets outside Australasia will be denominated in US$ and Euro which will provide a natural hedge against these costs.

The foreign exchange loss for FY2015 ($3,466,000) was due primarily to the revaluation of the US$ debt on a declining US$/NZ$ exchange rate. Future revenues from markets outside Australasia will be derived in US$ which will be used towards repaying this debt as it falls due.

Employees

FULL TIME EQUIVALENTS	FY2013	FY2014	FY2015
New Zealand			
Sales & Marketing	8	8	9
Regulatory & Development	11	12	15
Finance & Administration	6	9	11
Australia	19	24	37
Southeast Asia	1	2	6
Total	**45**	**55**	**78**

As of 30 September 2015, we had 80 full time employees. We intend in the near term to increase our sales forces in Australia (by approximately 15-20%) and in Southeast Asia (by two to three-fold) to set us up for future expansion in those markets. The Rest of World will require limited additional employees as our licensees and distributors provide the in-market support and future revenue growth in these markets is not expected to require any significant increase in employee numbers.

Balance sheet overview

Balance sheet extracts

NZD$000	FY2013	FY2014	FY2015	1HFY2015	1HFY2016
Inventories	10,704	12,654	14,686	15,432	15,072
Trade and Other Receivables	7,751	9,558	11,251	7,858	12,224
Cash and Cash Equivalents	1,082	1,248	4,700	4,802	10,016
Intangible Assets	1,059	1,419	1,669	1,587	1,853
Trade and Other Payables	4,116	8,530	8,258	8,247	9,684
Provisions	173	678	1,890	1,111	2,326
Debt	12,508	13,137	20,739	11,833	24,721

Inventory

Our policy is to hold approximately three months of inventory to minimise interruption to customer supply. In addition, a number of supply contracts for tender business stipulate minimum stock levels in order to minimise interruption to patient supply.

Trade and other receivables

Trade receivables are non-interest bearing and are generally on 30 to 60 day terms.

Selling to licensed wholesalers minimises risk of non-payment and we have had no significant write-offs since our sales began.

Cash and cash equivalents

We re-financed our capital and debt in May 2014 with the introduction of US$12.0 million new share capital and long term debt (discussed further in this section under the heading "*Interest bearing liabilities*"). A further US$7 million of share capital was raised in May and June of this year.

As at 30 September 2015 we held cash balances of NZ$10.0 million.

Intangible assets

Intangible assets in the main comprise the costs of registering patents and to a lesser extent trademarks. We register our patents globally in markets significant for our development products.

Trade and other payables

Trade and other payables relate to amounts owing to suppliers for goods and services received, GST payable, and employee entitlements.

Provisions

Provisions relate to amounts estimated to be owing to customers and suppliers as a result of achieving certain volume targets. Customer rebates are based on the customer's ability to achieve certain sales targets and are computed using the expected rebate percentage for sales made during the period. Supplier rebates are based on profit sharing arrangements with suppliers which are based on achieving expected set margin targets.

Derivative liabilities

Forward foreign exchange contracts are entered into to reduce exposure to risk associated with foreign exchange volatility:

Forward Foreign Exchange Contracts

BUY CURRENCY	BUY CURRENCY AMOUNT ('000)	SELL AMOUNT NZ$ ('000)	30 SEP 2015 VALUE NZ$ ('000)	MTM VALUE NZ$ ('000)
EUR	1,725	2,667	3,070	403
GBP	200	403	480	77
USD	1,870	2,512	2,949	437
Total exposure as at 30 September 2015:				**917**

All contracts mature within one year from 30 September 2015.

Interest bearing liabilities

AFT is the borrower under a term loan agreement entered into in April 2014 with the CRG Funds as lenders. The term loan facility was used to replace a trade facility from the BNZ with a long term and more flexible facility.[37] As at 30 September 2015, the amount drawn down was US$15 million of the US$30 million facility (comprising US$10 million drawn down on 4 May 2014 and US$5 million drawn down on 9 December 2014 (each a **Borrowing**)). Interest on the loan is fixed at 13.5% p.a., net of any withholding tax, payable quarterly (on 31 March, 30 June, 30 September and 31 December, each a **Payment Date**).

The facility is for a six year term for which the first four years only interest is payable, with the principal and any compounded interest to be repaid in equal quarterly instalments in years five and six. Prepayment of the facility is possible prior to this, together with a prepayment premium on each Borrowing comprising an amount equal to:

- 32% of the principal amount of that Borrowing outstanding, if prepayment is made on or prior to the 8th Payment Date following the date on which that Borrowing was drawn down;
- 22% of the principal amount of that Borrowing outstanding, if prepayment is made after the 8th Payment Date and on or prior to the 12th Payment Date following the date on which that Borrowing was drawn down;
- 10% of the principal amount of that Borrowing outstanding, if prepayment is made after the 12th Payment Date and on or prior to the 16th Payment Date following the date on which that Borrowing was drawn down;
- 4% of the principal amount of that Borrowing outstanding, if prepayment is made after the 16th Payment Date and on or prior to the 20th Payment Date following the date on which that Borrowing was drawn down; and
- 1% of the principal amount of that Borrowing outstanding, if prepayment is made after the 20th Payment Date following the date on which that Borrowing was drawn down.

Under the CRG Funds term loan agreement there are two financial covenants. The first requires (i) a minimum bank balance of NZ$4 million at each month end and (ii) at all times NZ$1 million of unencumbered cash to be held in an account over which CRG has first priority. The second is for revenues to exceed NZ$64.5m for FY2016, NZ$73.5m for FY2017, NZ$84m for FY2018 and NZ$96m for FY2019. AFT has the right to cure any breach of the FY2016 revenue covenant within 90 days of the end of FY2016 by either (i) issuing additional equity or (ii) borrowing subordinated unsecured debt, in each case in an amount equal to twice the shortfall of the revenue covenant breach; with the amount raised to be used to prepay the loan.

The loan is secured by a charge over all of the present and after acquired assets of the Group together with a Group guarantee. The Board will continually review funding requirements, including the use of this facility.

[37] AFT continues to maintain certain transactional and foreign exchange facilities with the BNZ.

Cashflow overview

Cash flow Extracts

NZD$000	FY2013	FY2014	FY2015	1HFY2015	1HFY2016
Net cash (used in)/generated from operating activities	(3,971)	(290)	(13,105)	(7,018)	(3,671)
Net cash used in investing activities	(487)	(502)	(483)	(309)	(332)
Net cash generated from financing activities	7,884	974	17,135	10,912	8,117
Net increase in cash	**3,426**	**182**	**3,547**	**3,585**	**4,114**

The additional expenditure on the development of products and market growth in Australia and Southeast Asia, together with the additional working capital requirement to support the revenue growth, required funding for operating activities of $13m in FY2015. The FY2013 requirement of $4m was for additional working capital to generate the revenue growth.

There was no significant expenditure in investing activities in any of the years as all significant expenditure occurs within operating activities of the Profit and Loss Account.

Funding for FY2015 and 1HFY2016 operating activities was provided in financing activities by the introduction of new equity together with a long term debt facility and for FY2013 by a more flexible BNZ commercial facility (which was repaid in FY2014). In FY2015, AFT raised US$12m of share capital through the issue of the Series A Preferred Shares at an implied pre-investment equity value for AFT of US$120m. In 1HFY2016, AFT raised US$7m of share capital through the issue of the Series B Preferred Shares at an implied pre-investment equity value for AFT of US$170m.

8. RISKS TO AFT'S BUSINESS AND PLANS

An investment in the Shares, like any investment, involves a degree of risk.

Before investing in the Shares, you should consider the risks set out below. These are the circumstances we are aware of, or that we think are likely to arise, that significantly increase the risk to our financial position, financial performance or our stated plans.

We describe the risks below in descending order of our assessment of the combined likelihood of the circumstance occurring balanced against the severity of the impact on our business and plans if it were to occur. This assessment is based on the knowledge of the directors at the date of this PDS. There is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge over time.

Where practicable, we seek to implement risk mitigation strategies to minimise the exposure to some of the risks outlined below. Although these strategies are intended to manage or control the risks, they will not remove them altogether.

The statements of risk in this section do not take account of your personal circumstances, financial position or investment requirements. Before making any investment decision, you should consider the suitability of an investment in Shares in light of your individual risk tolerance for investments, investment objectives and personal circumstances.

Development of key innovative products

We are currently completing the development of our key innovative products and line extensions to certain of those products which we expect to be key drivers of the global expansion of our sales. There is a risk that those development efforts may not be successful, or may take longer and be more expensive than expected, and as a result that our investment will be delayed or lost. This risk could arise due to a number of factors, including (a) delays in commencement or completion of clinical trials; (b) products under development not performing in accordance with our expectations; and (c) uncertainty around whether a product can be manufactured on the necessary scale and at an acceptable cost.

We seek to mitigate these circumstances arising by focussing on novel combinations and dose forms of approved drug ingredients and novel delivery systems for approved drug ingredients, all of which have inherently less development risk than attempting to develop new drug ingredients.

Nonetheless, it is possible that one or more of these circumstances might arise with respect to our products under development. If these circumstances were to arise, the impact on our financial position or performance and our ability to achieve our plans would depend on the product(s) concerned, our expectations for their success, the stage reached in their development programme, and the amount of investment in the product(s).

For example, while the initial device work for the *SURF* Nebuliser has been completed and a working prototype assembled, clinical trials to validate the efficacy of the device must still be completed and it must be proven that the device can be manufactured on the necessary scale and at an acceptable cost. Any failure or significant delay in the development of the *SURF* Nebuliser, or any one or more of our other key innovative products and line extensions to those products, may have a material negative impact on our financial performance and our ability to deliver on our business plans.

Regulatory requirements

Our pharmaceutical and medical device products are regulated by government agencies in each territory in which they are sold (for example, Medsafe in New Zealand and the FDA in the US) and must be approved by those agencies prior to sale. Complex government health regulations increase uncertainty and are subject to change at any time. As such, there is a risk that our products may not, or may no longer, satisfy the stringent requirements for approval and/or the approval process may take longer than expected.

Delays may be experienced in obtaining approvals for products, particularly in new territories, and/or the regulatory agencies may require additional information or clinical evidence and these may add to the development cost and delay of the products entering the market. If we are unable to obtain the approvals required for new products or in new territories, or current approval requirements for existing products change, this could impair our ability to grow and adversely affect our business and operations.

While it is unlikely that these circumstances could occur with respect to existing products in existing territories, it is possible that one or more of these circumstances might arise with respect to either new products or existing products being introduced into new territories. If this were to occur, the impact on our financial position or performance and our ability to achieve our plans would depend on the product(s), the territories and the

regulatory requirements concerned. Any significant delay in obtaining, or failure to obtain, approvals for one or more of our key innovative products in new territories (such as FDA approval of *Maxigesic* tablets or *Maxiclear PE*), may have a material negative impact on financial performance and our ability to achieve our business plans.

Competition

The pharmaceutical industry in which we operate is intensely competitive and includes companies with significantly greater financial, human, research and development and marketing resources than us. There is a risk that our competitors may discover, develop or commercialise products before or more successfully than us, which could render our products obsolete or otherwise uncompetitive, resulting in adverse effects on revenue, margins and profitability.

In addition, there is a risk we may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced margins and loss of market share.

For example, a competitor could develop a significantly superior drug delivery device to the *SURF* Nebuliser, or develop an equivalent device to the *SURF* Nebuliser and aggressively compete with us on price, which in each case could negatively impact on our ability to acquire market share once that product is launched.

We consider it is possible that one or more of these circumstances might arise. If they were to arise, the impact on our financial position or performance and our ability to achieve our plans would depend on the product(s), the competitive threat faced and our ability to respond. Any significant competitive threat to one or more of our key innovative products, to which we are unable to effectively respond, could have a significant negative impact on our financial performance and our ability to achieve our business plans.

Intellectual property protection

We rely on a combination of patents and trade secrets to protect the intellectual property in our products. Trade secrets include information relating to the manufacture, development and administration of our products.

Patents may not be issued for any of our patent applications and existing or future patents issued to or licensed by us may not provide competitive advantages for our products. Patents that are issued may be challenged, invalidated or circumvented by our competitors. Further, any patents protecting our intellectual property will have a finite life. In the case of the patents we hold or in-license in respect of our key innovative products, these are due to expire over the period 2025 to 2034 in the case of *Maxigesic*, in 2024 in the case of *Maxiclear PE*, over the period 2026 to 2035 in the case of the *SURF* Nebuliser and over the period 2031 to 2034 in the case of *Maxigesic* IV. There are no guarantees that revenues from a patented product would extend past these patent expiry dates.

Where we rely on trade secrets, there is a risk that the protective measures employed, which includes confidentiality agreements with licensees, suppliers, employees and others, may not provide adequate protection for those trade secrets. We cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to our trade secrets or disclose such technology.

We consider it is possible that any one or more of these circumstances may eventuate. If these circumstances were to eventuate, the impact on our business would depend on the product(s) and the sufficiency of our intellectual property protection. If our patent and trade secret rights fail to prevent one of our competitors from developing and commercialising a product similar or functionally equivalent to one of our key innovative products such as *Maxigesic*, *Crystaderm* or the *SURF* Nebuliser, it may have a significant negative impact on our financial performance and our ability to achieve our business plans.

Intellectual property infringement

If a competitor or other third party accuses us of infringing its intellectual property rights or if a third party commences litigation against us for the infringement of their intellectual property rights, we may incur significant costs in defending such action, even if we are successful. Costs incurred would also include diversion of management resources.

We seek to mitigate this risk by conducting "freedom to operate" investigations for any possible infringement of third party patents before developing new products, and, if amenable to patent protection, we file patent applications to protect our new products. However because publication of discoveries tends to follow actual discoveries by many months, and some patent applications are maintained in secrecy until the patent is issued, we may not be the first to invent, or file patent applications in respect of our discoveries. If we are found

to have infringed a third party's intellectual property rights, we may be required to obtain a licence, redesign or withdraw the affected products or make potentially substantial payments including for legal fees and settlement payments.

We consider it is possible that any one or more of these circumstances may eventuate, with that likelihood increasing as we continue to expand our business into new products and markets. If these circumstances were to eventuate, the impact on our financial position or performance and our ability to achieve our plans would depend on the product(s) and territories involved, and, if we are unsuccessful in defending a claim against us, our ability to obtain a licence or redesign the effected product(s) at a reasonable cost. For example, if the *SURF* Nebuliser was found to have infringed a third party's intellectual property rights and we were required to obtain a licence from that third party, we may incur significant unexpected costs which will affect our financial performance and position.

Product liability

Even after our products have been granted regulatory approval, there is no assurance that unforeseen adverse events or manufacturing defects will not arise, which could expose us to product liability claims or litigation. These may result in the removal of the regulatory approval for the relevant products and/or monetary damages being awarded against us. We may also be required to spend significant time and money on product recalls of the relevant products. While we have public liability, product liability and product recall insurance which we consider is currently adequate to mitigate this risk, it may prove inadequate to cover our liability for claims related to our products. Any claim could also significantly harm our reputation and negatively affect market acceptance of our products.

While we have never had a product liability claim to date, we consider it possible that any one or more of these circumstances may eventuate in the future. If these circumstances were to eventuate and our liability exceeded our insurance coverage, it may have a material negative impact on our financial position and financial performance.

Capability to execute growth strategy

Although we have been trading since 1997, we are currently experiencing a period of significant expansion of our business into new markets beyond our traditional home markets of Australia and New Zealand. This expansion places a strain on our management, administrative, operational and financial resources and there is a risk that we may not be able to effectively manage that expansion to successfully execute our growth strategy.

While this risk is mitigated by our strategy of increased reliance on out-licensing and distributor arrangements outside of Australia and New Zealand, this strategy is relatively new and may require a greater investment of management and other resources to be successfully implemented. Any failure by us to effectively manage the expansion of our business into new markets may have a significant negative impact on our financial performance.

Healthcare tenders

In certain markets, sales of our products are influenced by our ability to win tenders run by third party payer organisations including government agencies and other health care payers to be the exclusive or preferred supplier of products. In New Zealand, PHARMAC operates a tendering system for off-patent medicines that grants sole supplier rights of a product for a fixed term, usually three years. Different public and private hospital customers in Australia operate similar tendering systems. In FY2015, 37% of our overall sales comprised tender business, as most of our hospital and prescription products are sold on tender.

Whenever we compete in a tender, there is a risk that we may fail to win or retain it. For example our competitors may be able to offer products that cost less or offer better performance than our own. We seek to mitigate this tender risk by the wide spread of products we sell, the number of hospital tender customers in Australia, and the fact that tenders last up to three years in Australia and New Zealand.

While the loss of any one particular tender is unlikely to have a material adverse impact on our business, a failure to win or retain a significant number of tenders may have a material adverse impact on our sales, operating revenues and financial performance.

Relationships with manufacturers, licensees and other third parties

We use third party manufacturers to produce our products. There is no guarantee that our manufacturing partners will be able to meet our cost, quality and volume requirements which are needed to remain competitive. We mitigate this risk by using multiple manufacturers where possible for our key products, and operating an inventory policy of holding three months' inventory to minimise interruption of supply. However if for any reason we are required to change any of our third party contract manufacturers, this may result in increased costs and delay or reduction in sales.

We plan to operate all of our business activities outside Australia, New Zealand and certain parts of Southeast Asia through a series of contract relationships with licensees and distributors. All of our contracts carry a risk that the third parties do not adequately or fully comply with their contractual rights and obligations. Such failure could lead to a termination of those contracts and/or a material adverse impact on our financial performance and our product commercialisation efforts in those markets.

Key personnel

Our success depends, in part, on our senior management team and other key personnel. Our Chief Executive Officer and other members of our senior management team have worked for AFT since its establishment in 1997 and have been instrumental in our growth and success. The complex regulatory and technological environment in which we operate means that the loss of one or more of our senior management team or other key personnel could delay or prevent the successful completion of some of our development and commercialisation objectives.

We consider the likelihood of these circumstances eventuating to be low. If they were to arise, the impact on our business would depend on the identity and number of the departing personnel. We could face significant time and cost to replace specialist skills and knowledge, which could have a material negative impact on our financial performance.

9. TAX

Tax can have significant consequences for investments. If you have queries relating to the tax consequences of investing in Shares, you should obtain professional advice on those consequences.

10. WHERE YOU CAN FIND MORE INFORMATION

Further information relating to AFT or the Shares (including AFT's constitution and financial statements) is available on the Disclose Register at www.business.govt.nz/disclose under AFT's offer number (OFR10331). A copy of the information on the Disclose Register is available on request to the Registrar of Financial Service Providers.

Further information relating to AFT is also available on the public register of the Companies Office. This information can be accessed on the Companies Office website at www.business.govt.nz/companies under AFT's company number (873005).

Once AFT is listed, it will be required to make half-yearly and annual announcements to NZX and ASX and such other announcements as required by the listing rules from time to time. You will be able to obtain this information free of charge by searching under AFT's stock code "AFT" on NZX's website www.nzx.com and by searching under AFT's stock code "AFP" on ASX's website www.asx.com.au.

11. HOW TO APPLY

You should read this PDS and other available information carefully before applying for Shares.

You can apply for Shares as follows:

- Broker Firm Offer: You can apply for Shares under the Broker Firm Offer by completing the Broker Firm Offer Application Form at the back of this PDS in accordance with the instructions provided by your Broker.
- Priority Offer: You can apply for Shares under the Priority Offer by either:
  - completing the Priority Offer Application Form online at www.aftpharmshares.com following the on screen instructions (you will be required to download a copy of this PDS as part of the online Application process); or
  - completing the Priority Offer Application Form at the back of this PDS in accordance with the instructions on the Application Form.
- Institutional Offer and US Private Placement: Details of how to participate have been separately provided to invited participants.

Privacy policy

If you apply for Shares, you will be asked to provide personal information to AFT, the Share Registrar and their respective agents who will collect and hold the personal information provided by you in connection with your Application. Your personal information will be used for considering, processing and corresponding with you about your Application and in connection with your holding of Shares, including sending you information concerning AFT, your Shares and other matters AFT considers may be of interest to you by virtue of your holding of AFT. To do these things, AFT or the Share Registrar may disclose your personal information to each other, their respective related companies and agents, contractors or third party service providers to whom they outsource services such as mailing and registry functions. However, all of these parties will be bound by the same privacy policies as AFT and the Share Registrar.

In addition, if you elect to pay by one-time direct debit, the Share Registrar will communicate with your nominated bank (including providing your personal information) for the purposes of processing your payment.

Failure to provide the required personal information may mean that your Application Form is not able to be processed efficiently, if at all.

Where AFT and the Share Registrar hold personal information about you in such a way that it can be readily retrieved, you have a right to obtain from AFT and the Share Registrar confirmation of whether or not they hold such personal information, and to access and seek correction of that personal information under the Privacy Act 1993 by contacting the privacy officers of AFT and the Share Registrar at their respective addresses shown in Section 12 (*Contact Information*).

You can also access your information on the Share Registrar's website www.investorcentre.com/nz (you will be required to register with your CSN and Authorisation Code (FIN)).

12. CONTACT INFORMATION

AFT	AFT Pharmaceuticals Limited Level 1, 129 Hurstmere Road, Takapuna, Auckland 0622 Telephone: 0800 423 823
Selling Shareholder	Hartley Atkinson and Colin McKay as trustees of the Atkinson Family Trust Level 1, 129 Hurstmere Road, Takapuna, Auckland 0622 Telephone: 0800 423 823
Share Registrar	Computershare Investor Services Limited Level 2, 159 Hurstmere Road, Takapuna, Auckland 0622 Telephone: +64 9 488 8777

13. GLOSSARY

$** or **NZ$	New Zealand dollars
1HFY[Year]	the first six months from 1 April to 30 September of the financial year
A$	Australian dollars
Additional Australian Information	additional information containing disclosures relevant to Australian investors in the Offer and to comply with requirements for a recognised offer under Chapter 8 of the Australian Corporations Act 2001 (Cth) and the Australian Regulations 2001 (Cth), which information accompanies or is attached to this PDS for the purposes of the Offer made in Australia
AFT	AFT Pharmaceuticals Limited or the Group, as the context requires
AFT Orphan	AFT Orphan Pharmaceuticals Limited
Allotment Date	Monday 21 December 2015, unless brought forward or extended by AFT
analgesic	a drug acting to relieve pain, also known as a painkiller
Applicant	an investor who makes an application for Shares under the Offer
Application	an application to subscribe for Shares under the Offer
Application Form	an application form attached to, or accompanying, this PDS
Application Monies	the amount payable on Application
Approved US Person	one of the limited number of institutional investors in the US that AFT has invited to participate in the US Private Placement
ASX	ASX Limited, or the financial market operated by ASX Limited, as the context requires
ASX Listing Rules	the listing rules of ASX, in force from time to time
Board	the board of directors of AFT
branded drug	a drug that is marketed under a brand name (e.g. *Maxigesic*)
Broker	any NZX Firm or ASX participating organisation
Broker Firm Offer	the portion of the Offer that is open to New Zealand and Australian resident clients of Brokers who have received an allocation from a Broker
Business Day	a day on which the NZX Main Board is open for trading
CAGR	compound annual growth rate
combinations	combinations of two or more drug ingredients
Companies Act	Companies Act 1993
Constitution	the new constitution of AFT which will be adopted on listing
Conversion	the automatic conversion of the Preferred Shares in accordance with their terms into Shares on a one-for-one basis that will take place immediately before the Share Split and allotment of Shares under the Offer

CRG Funds	Capital Royalty Partners II L.P., Capital Royalty Partners II – Parallel Fund "A" L.P., Capital Royalty Partners II – Parallel Fund "B" (Cayman) L.P. and Capital Royalty Partners II (Cayman) L.P.
CSN	Common Shareholder Number
Disclose Register	the online offer register maintained by the Companies Office known as 'Disclose'
drug interaction	an unintended reaction when two drugs are taken together
EU	European Union
FDA	US Food and Drug Administration
FMC Act	Financial Markets Conduct Act 2013
FY[Year]	the financial year ended 31 March of that year
GAAP	Generally Accepted Accounting Practice
generic drug	a drug that is identical (or bioequivalent) to a brand name drug in dosage form, safety, strength, route of administration, quality, performance characteristics and intended use. Although generic drugs are chemically identical to their branded counterparts, they are typically sold at discounts from the branded price. Generic drugs typically only become available after the patent expires on a branded drug
Group	AFT and each of its subsidiaries
hospital products	medicines primarily used within hospitals, usually injectables
IMS World Review Pack (August 2015)	IMS World Review Pack – Worldwide – Q2 2014 as at August 2015. IMS includes wholesaler to pharmacy sales, excludes sales to grocery chains, and reports on a gross sales basis
IND	an Investigational New Drug application
Institutional Investor	investors who the Lead Manager determines are persons to whom an offer or invitation in respect of Shares may be made without the need for a PDS
Institutional Offer	the invitation to selected Institutional Investors in accordance with this PDS, as described in Section 5 (Terms of the Offer)
key innovative products	those of AFT's products which it considers have significant market potential, being *Maxigesic* tablets, *Maxiclear PE*, *Fibroleve*, *Crystaderm*, *Pascaderm* and the *SURF* Nebuliser, as well as any line extensions of those products
Lead Manager	First NZ Capital Securities Limited
line extension	an additional formulation of an existing product e.g. an oral liquid is a line extension to a tablet
LTI Plan	the long-term incentive plan, as described in Section 2 (*AFT and what it does*) under the heading *"Employee incentive"*
medium term	three to five years from the date of this PDS
named patient basis	named patient basis sales provide access to drugs in response to requests by physicians on behalf of specific, or "named", patients before those drugs are approved for general sale in the patient's country
NDA	a New Drug Application

NZX	NZX Limited
NZX Firms	an entity designated as an NZX Firm under the Participant Rules of NZX
NZX Listing Rules	the listing rules of the NZX Main Board, in force from time to time
NZX Main Board	the main board equity security market operated by NZX
Offer	the offer of Shares pursuant to the Broker Firm Offer, the Priority Offer, the Institutional Offer and the US Private Placement
operating revenue	revenue as reported in AFT's financial statements. The term 'operating revenue' is used in the PDS to emphasise that revenue excludes licencing income, which is non-recurring in nature
opioids	medicines derived from or related to opium compounds that relieve pain, such as codeine, oxycodone, morphine and similar active ingredients. Opioids affect the nervous system and gastrointestinal tract. Only weak opioids like codeine are available in OTC products albeit under increased regulatory restrictions
Option	an option to acquire a Share granted under the LTI Plan
orphan drug	a drug that has been developed specifically to treat a rare medical condition
over-the-counter or **OTC products**	medicines that can be sold directly to consumers without the need for a prescription
paracetamol	a general purpose non-narcotic analgesic which works by reducing pain signals in the brain. Paracetamol is off-patent and is used in a large number of products
PBS	the Australian Pharmaceuticals Benefits Scheme, under which the Australian Government subsidises the cost of medicine for most medical conditions
PDS	this document, being a product disclosure statement prepared in accordance with the FMC Act
PHARMAC	the Pharmaceutical Management Agency, the Crown entity that manages the New Zealand Pharmaceutical Schedule on behalf of the Health Funding Authority and decides, on behalf of District Health Boards, which medicines and related products are subsidised
Phenylephrine or PE	a medicine that constricts blood vessels and acts as a decongestant used in cold & flu medicines to clear a blocked nose
Preferred Shares	means the Series A Preferred Shares and the Series B Preferred Shares
prescription products	medicines only available with a prescription from a doctor
Price	$2.80 per Share
Priority Offer	the portion of the Offer available to New Zealand and Australian resident customers, suppliers and employees of AFT, and other persons invited to participate by AFT
relevant interest	has the meaning given to that term in the FMC Act
Rest of World	the world other than Australia and New Zealand
Selling Shareholder	Hartley Atkinson and Colin McKay as trustees of the Atkinson Family Trust
Series A Preferred Share	a type of preference share in AFT, with the preferential rights as described in Section 2 (*AFT and what it does*) under the heading *"Equity securities of AFT"*

Series B Preferred Share	a type of preference share in AFT, with the preferential rights as described in Section 2 (*AFT and what it does*) under the heading *"Equity securities of AFT"*
Share Registrar	Computershare Investor Services Limited
Share Split	the 62 for 1 Share split to be undertaken following the Conversion and immediately before allotment of Shares under the Offer
Shares	ordinary shares in AFT
Takeovers Code	Takeovers Code Approval Order 2000
TGA	Therapeutic Goods Administration, the regulator of medicines and medical devices in Australia
therapeutic categories	categories for different diseases (e.g. cardiovascular) or types of medicine (e.g. topical)
UAE	United Arab Emirates
UK	United Kingdom
US	United States of America
US Private Placement	the offer of Shares by AFT to Approved US Persons in a private placement taking place concurrently with the Institutional Offer
US$	United States dollars

BROKER FIRM

AFT SHARE OFFER

AFT pharmaceuticals
Working to improve your health

BROKER STAMP

ADVISER CODE

This Application Form is issued with the Product Disclosure Statement (**PDS**) dated and prepared as at 1 December 2015 for the Offer of fully paid ordinary shares in AFT Pharmaceuticals Limited (**AFT**). This Application Form represents an offer to purchase the Shares described in the PDS and Disclose Register entry for the Offer. Any capitalised terms used in this Application Form but not defined have the same meaning as given to those terms in the PDS. If you require assistance filling in this Application Form, call the Share Registrar on +64 9 488 8777.

A. APPLICANT DETAILS

Applications must be in the names of natural persons, companies, or other legal entities, up to a maximum of three names per Application. **Applications by trusts, funds, estates, partnerships or other unincorporated bodies must be made in the individual names of the persons who are the trustees, proprietors, partners or office bearers (as appropriate).**

If, for your own purposes, you want to record that the Applicants hold their Shares on a particular account or for a particular purpose, you can record that in the "Company / Trust / Account Designation". If you are applying on behalf of your children, or some other person in respect of whom you have the required authority, you should complete the Application Form in their name:

Title and First Name(s)		Surname	
Title and First Name(s)		Surname	
Title and First Name(s)		Surname	
Company / Trust / Account Designation (if applicable)			
Postal Address	Street Address or PO Box	Suburb/Town	
	City	Postcode	Country
Telephone	Mobile	Daytime	

B. APPLICATION PAYMENT

Applications must be accompanied by payment. This Application Form and your payment must be sent to your Broker so as to enable forwarding to the Share Registrar by 5.00pm (New Zealand time) on 17 December 2015. **The minimum number of Shares you can apply for is 350 Shares.** Please complete the boxes below.

Number of Shares applied for:	x Price:	= Total Application Amount
	$ **NZ$2.80**	$ **NZ$**

Choose ONE of the PAYMENT options below. Please tick the box next to your selected option.

☐ **Option 1:** **Please make a one-time direct debit from the bank account stated below.**

By ticking this box and submitting this Application Form, I agree that the Share Registrar is authorised to withdraw from this account the full dollar amount of Shares applied for on the terms and conditions for one-time direct debit. The terms and conditions can be obtained by calling +64 9 488 8777.
Please confirm with your bank that payments can be direct debited from this account.

New Zealand dollar bank account details for one-time direct debit payment

Name of bank	
Account holder name	
Account details	☐☐ Bank ☐☐☐☐ Branch No. ☐☐☐☐☐☐☐ Account No. ☐☐☐ Suffix

☐ **Option 2:** Please find attached my payment by **CHEQUE** for the dollar amount of Shares applied for above made payable to "AFT Share Offer" and crossed "Not Transferable".

☐ **Option 3:** Payment will be made by another method as arranged with your Broker.
You should carefully follow your Broker's instructions as to payment or your Application may be rejected.

C. COMMON SHAREHOLDER NUMBER (CSN)

A CSN is required to trade the Shares on the NZX Main Board once the Offer has closed and Shares have been allotted.

If you have a CSN, please supply it in the space provided below. A CSN is a nine digit number commencing with 31, 32 or 33. The registered holder name(s) for the CSN must match the name(s) on this Application Form. If the name(s) do not match, you will be allocated a new CSN under the name(s) provided on this Application Form. To check the registration details of your CSN, please refer to a recent securities transaction statement or remittance advice.

If you do not have a CSN, leave the space below blank and you will be allocated a CSN and Authorisation Code (FIN) when your Application is received.

If you have a CSN, please enter it here: ☐☐☐☐☐☐☐☐☐

D. FUTURE DIVIDEND PAYMENTS

You may receive dividends from AFT in the future. **Choose ONE of the DIVIDEND PAYMENT options below. Please tick the box next to your selected option.**

☐ **Option 1:** Pay dividends directly into **my bank account**. The bank account provided must be with a New Zealand or Australian registered bank.

☐ **Please pay dividends directly into the bank account provided over in B. APPLICATION PAYMENT.**

☐ **Please pay dividends directly into the bank account provided below:**

New Zealand dollar bank account details	**OR**	**Australian dollar bank account details**
Name of bank		Name of bank
Account holder name		Account holder name
Account details Bank ☐☐ Branch No. ☐☐☐☐ Account No. ☐☐☐☐☐☐☐ Suffix ☐☐☐		Account details BSB ☐☐☐☐☐☐ Account No. ☐☐☐☐☐☐☐☐

☐ **Option 2:** Pay dividends directly into my **Cash Management Account**:

Name of NZX Firm where Cash Management Account is held: _____

Cash Management Client Account number: ☐☐☐☐☐☐☐☐☐☐

☐ **Option 3:** Pay dividend by **cheque**

E. ELECTRONIC COMMUNICATIONS

I agree to receive Shareholder Communications via email (optional):

Please enter your email address below if you wish to receive, where applicable, all Shareholder communications (including notification of the availability of annual reports and interim reports, transaction statements, payment advices, meeting documents and any other company related information) by email. If you do not provide an email address, Shareholder communications will be mailed to you at the postal address provided on this Application Form.

Email: _____

F. IRD NUMBER

Applicant's IRD number (only one IRD number is required in respect of a joint Application): ☐☐☐–☐☐☐–☐☐☐

If you are applying on behalf of a minor (under the age of 18) or a dependent, use their IRD number. If the applicant is a trust, company, partnership or other entity, use that entity's IRD number. Multiple Applications containing the same IRD number may not be accepted, or may be scaled on a differential basis, at AFT's discretion.

Resident withholding tax ("RWT") will be deducted from any dividends paid to the Shareholder (unless you provide a valid RWT exemption certificate).

☐ **Exempt** – please tick this box if you hold a RWT exemption certificate from IRD and attach a copy of your RWT exemption certificate.

☐ Please tick this box if you are a **non-resident for New Zealand** tax purposes under the Income Tax Act 2007. You will be treated as a New Zealand tax resident unless this box has been ticked.

G. SIGNATURE(S) OF APPLICANT(S)

The Application Form must be signed by, or on behalf of, each Applicant. If the Applicant is a company or other entity, it should be signed by a duly authorised person in accordance with any applicable constitution or governing document.

If the Applicant is a minor (under the age of 18) the parent or legal guardian should sign the Application Form on the Applicant's behalf. If you elect to pay by one-time direct debit, you should ensure that the signatories are consistent with your bank authorities.

I/We hereby acknowledge that I/we have received the PDS. I/We apply for Shares as set out above (or such lesser number as may be allocated to me/us) subject to the terms and conditions of the PDS and this Application Form. By lodging this Application Form, I/we consent to the use of my/our personal information in accordance with the privacy policy set out in Section 11 (*How to Apply*) of the PDS.

I/We acknowledge and agree that if I/we have misrepresented that I/we am/are a New Zealand or Australian Applicant by making a false declaration, AFT may cancel the sale of Shares to me/us under the Offer, and Shares held by me/us, up to the number of Shares allocated to me/us under the Offer, may be sold.

Terms and Conditions

By signing this Application Form:

a) I/We agree to subscribe for Shares upon and subject to the terms and conditions of the PDS and this Application Form and I/we agree to be bound by the provisions thereof.
b) I/We confirm that I/we have received, read and understood the PDS.
c) I/We declare that all details and statements made by me/us in this Application Form are complete and accurate.
d) I/We certify that, where information is provided by me/us in this Application Form about another person, I/we are authorised by such person to disclose the information to you and to give authorisation.
e) I/We acknowledge that an Application cannot be withdrawn or revoked by the Applicant once it has been submitted.
f) I/We acknowledge that the Broker Firm Offer is only made to New Zealand and Australian residents who have received an allocation from their Broker, and by applying for Shares, I/we agree to indemnify AFT and its directors, officers, employees and agents in respect of any liability incurred by AFT as a result of my/our breaching the selling restrictions described in the PDS.

The information in this Application Form is provided to enable AFT and the Share Registrar to process your Application, and to administer your investment. By signing this Application Form, you authorise AFT and the Share Registrar to disclose information in situations where AFT or the Share Registrar are required or permitted to do so by any applicable law or by a governmental, judicial or regulatory entity or authority in any jurisdiction. If you are an individual in terms of the Privacy Act 1993, you have the right to access and correct any of your personal information.

Your Application must be returned to the Broker that notified you of your allocation in time for your Application to be forwarded to the Share Registrar by 5.00pm (New Zealand time) on 17 December 2015.

PRIORITY OFFER
AFT SHARE OFFER

AFT pharmaceuticals
Working to improve your health

This Application Form is issued with the Product Disclosure Statement (**PDS**) dated and prepared as at 1 December 2015 for the Offer of fully paid ordinary shares in AFT Pharmaceuticals Limited (**AFT**). This Application Form represents an offer to purchase the Shares described in the PDS and Disclose Register entry for the Offer. Any capitalised terms used in this Application Form but not defined have the same meaning as given to those terms in the PDS. If you require assistance filling in this Application Form, call the Share Registrar on +64 9 488 8777.

A. APPLICANT DETAILS

Applications must be in the names of natural persons, companies, or other legal entities, up to a maximum of three names per Application. **Applications by trusts, funds, estates, partnerships or other unincorporated bodies must be made in the individual names of the persons who are the trustees, proprietors, partners or office bearers (as appropriate).**

If, for your own purposes, you want to record that the Applicants hold their Shares on a particular account or for a particular purpose, you can record that in the "Company / Trust / Account Designation". If you are applying on behalf of your children, or some other person in respect of whom you have the required authority, you should complete the Application Form in their name.

In order to participate in the Priority Offer, you must be a New Zealand or Australian resident customer, supplier or employee of AFT or be invited to participate by AFT. You must indicate, as directed below, your relationship to AFT or your associated entity's relationship to AFT, together with that entity's name:

Title and First Name(s)		Surname	
Title and First Name(s)		Surname	
Title and First Name(s)		Surname	
Company / Trust / Account Designation (if applicable)			
Postal Address	Street Address or PO Box	Suburb/Town	
	City	Postcode	Country
Telephone	Mobile	Daytime	
Relationship	Customer/Supplier/Employee/Other *(circle one)*	Name	

B. APPLICATION PAYMENT

Applications must be accompanied by payment.
If you are paying by direct credit, please email the Application Form along with proof of payment to aft@computershare.co.nz.

Total Application amount
$

Please select your currency of payment
☐ NZD ☐ AUD

The minimum amount you can apply for is $500.

Applicants resident in New Zealand can only apply in New Zealand dollars. Applicants resident in Australia can only apply in Australian dollars and will pay the Australian dollar equivalent of the Price. The Australian dollar equivalent of the Price will be calculated by converting the Price (which is expressed in New Zealand dollars) to the Australian dollar equivalent using the New Zealand dollar/Australian dollar exchange rate as at 6.00pm New Zealand time on the Priority Offer Closing Date, sourced from the Reserve Bank of New Zealand's website at www.rbnz.govt.nz.

NZ APPLICANTS

This Application Form and payment must be sent to the Share Registrar by email to aft@computershare.co.nz or by post in order to arrive no later than 5.00pm (New Zealand time) on 16 December 2015. The Share Registrar's address is Computershare Investor Services Limited, Private Bag 92119, Auckland 1142. **Choose ONE of the PAYMENT options below.**

☐ **Option 1: Payment by Direct Credit (New Zealand dollars)**

PAY TO: Computershare Investor Services Limited
ACCOUNT NUMBER: 02-0192-0158987-03

Email the form and proof of payment to aft@computershare.co.nz

Enter the following with your bank deposit:
PARTICULARS: Your CSN (if you have one)
REFERENCE: Your Surname and Initial

☐ **Option 2: Payment by Cheque (New Zealand dollars)**

Made payable to "AFT Share Offer" and crossed "Not Transferable"

AUSTRALIAN APPLICANTS

This Application Form and payment must be sent to the Share Registrar by email to aft@computershare.co.nz no later than 5.00pm (New Zealand time) on 16 December 2015.

PAYMENT should be made by Direct Credit (Australian Dollars) to the bank account stated below:

PAY TO: Computershare Investor Services Pty Limited
atf AFT Pharmaceuticals Limited

BANK: ANZ Bank, 10/530 Collins Street, Melbourne, Victoria 3000, Australia

ACCOUNT NUMBER: 013-006 8367-11531

Email the form and proof of payment to aft@computershare.co.nz

Enter the following with your bank deposit:
PARTICULARS: Your CSN/SRN/HIN (if you have one)
REFERENCE: Your Surname and Initial

IMPORTANT: Please check with your bank to ensure the payment is made in sufficient time for it to be received in Computershare's bank account by 16 December 2015. If your payment is received for less than the amount paid due to bank fees being deducted from your payment, you will not receive all of the Shares you have applied for. The number of Shares allotted to you will be calculated on the payment received. If you want to utilise this service and have any questions, please contact Computershare at aft@computershare.co.nz or +64 9 488 8777.

C. COMMON SHAREHOLDER NUMBER (CSN)

A CSN is required to trade the Shares on the NZX Main Board once the Offer has closed and Shares have been allotted.

If you have a CSN, please supply it in the space provided below. A CSN is a nine digit number commencing with 31, 32 or 33. The registered holder name(s) for the CSN must match the name(s) on this Application Form. If the name(s) do not match, you will be allocated a new CSN under the name(s) provided on this Application Form. To check the registration details of your CSN, please refer to a recent securities transaction statement or remittance advice.

If you do not have a CSN, leave the space below blank and you will be allocated a CSN and Authorisation Code (FIN) when your Application is received.

If you have a CSN, please enter it here: ☐☐☐☐☐☐☐☐☐☐

D. FUTURE DIVIDEND PAYMENTS

You may receive dividends from AFT in the future. **Choose ONE of the DIVIDEND PAYMENT options below. Please tick the box next to your selected option.**

☐ **Option 1:** Pay dividends directly into my **bank account**. The bank account provided must be with a New Zealand or Australian registered bank.

New Zealand dollar bank account details OR	**Australian dollar bank account details**
Name of bank	Name of bank
Account holder name	Account holder name
Account details ☐☐ ☐☐☐☐ ☐☐☐☐☐☐☐ ☐☐☐ Bank Branch No. Account No. Suffix	Account details ☐☐☐☐☐☐ ☐☐☐☐☐☐☐☐☐☐ BSB Account No.

☐ **Option 2:** Pay dividends directly into my **Cash Management Account**:

Name of NZX Firm where Cash Management Account is held: _____

Cash Management Client Account number: ☐☐☐☐☐☐☐☐☐☐

☐ **Option 3:** Pay dividend by **cheque**

E. ELECTRONIC COMMUNICATIONS

I agree to receive Shareholder Communications via email (optional):

Please enter your email address below if you wish to receive, where applicable, all Shareholder communications (including notification of the availability of annual reports and interim reports, transaction statements, payment advices, meeting documents and any other company related information) by email. If you do not provide an email address, Shareholder communications will be mailed to you at the postal address provided on this Application Form.

Email: _____

F. IRD NUMBER

Applicant's IRD number (only one IRD number is required in respect of a joint Application): ☐☐☐–☐☐☐–☐☐☐

If you are applying on behalf of a minor (under the age of 18) or a dependent, use their IRD number. If the applicant is a trust, company, partnership or other entity, use that entity's IRD number. Multiple Applications containing the same IRD number may not be accepted, or may be scaled on a differential basis, at AFT's discretion.

Resident withholding tax ("RWT") will be deducted from any dividends paid to the Shareholder (unless you provide a valid RWT exemption certificate).

☐ **Exempt** – please tick this box if you hold a RWT exemption certificate from IRD and attach a copy of your RWT exemption certificate.

☐ Please tick this box if you are a **non-resident for New Zealand** tax purposes under the Income Tax Act 2007. You will be treated as a New Zealand tax resident unless this box has been ticked.

G. SIGNATURE(S) OF APPLICANT(S)

The Application Form must be signed by, or on behalf of, each Applicant. If the Applicant is a company or other entity, it should be signed by a duly authorised person in accordance with any applicable constitution or governing document. If the Applicant is a minor (under the age of 18) the parent or legal guardian should sign the Application Form on the Applicant's behalf. If you elect to pay by one-time direct debit, you should ensure that the signatories are consistent with your bank authorities.

I/We hereby acknowledge that I/we have received the PDS. I/We apply for Shares as set out above (or such lesser number as may be allocated to me/us) subject to the terms and conditions of the PDS, the applicable overseas selling restrictions contained in the PDS and this Application Form. By lodging this Application Form, I/we consent to the use of my/our personal information in accordance with the privacy policy set out in Section 11 (*How to Apply*) of the PDS.

I/We acknowledge and agree that if I/we have misrepresented that I/we am/are able to be offered and to subscribe for Shares by making a false declaration, AFT may cancel the sale of Shares to me/us under the Offer, and Shares held by me/us, up to the number of Shares allocated to me/us under the Offer, may be sold.

Terms and Conditions By signing this Application Form:

a) I/We agree to subscribe for Shares upon and subject to the terms and conditions of the PDS and this Application Form and I/we agree to be bound by the provisions thereof.
b) I/We confirm that I/we have received, read and understood the PDS and the applicable overseas selling restrictions contained in the PDS.
c) I/We declare that all details and statements made by me/us in this Application Form are complete and accurate.
d) I/We certify that, where information is provided by me/us in this Application Form about another person, I/we are authorised by such person to disclose the information to you and to give authorisation.
e) I/We acknowledge that an Application cannot be withdrawn or revoked by the Applicant once it has been submitted.
f) I/We acknowledge that the Priority Offer is only made to New Zealand and Australian resident customers, suppliers and employees of AFT, and other persons who have been invited to participate by AFT, and by applying for Shares, I/we agree to indemnify AFT and its directors, officers, employees and agents in respect of any liability incurred by AFT as a result of my/our breaching the selling restrictions described in the PDS.

The information in this Application Form is provided to enable AFT and the Share Registrar to process your Application, and to administer your investment. By signing this Application Form, you authorise AFT and the Share Registrar to disclose information in situations where AFT or the Share Registrar are required or permitted to do so by any applicable law or by a governmental, judicial or regulatory entity or authority in any jurisdiction. If you are an individual in terms of the Privacy Act 1993, you have the right to access and correct any of your personal information.

Your Application must be returned to the Computershare by 5.00pm (New Zealand time) on 16 December 2015.

DIRECTORY

AFT

AFT Pharmaceuticals Limited
Level 1, 129 Hurstmere Road, Takapuna, Auckland 0622

Selling Shareholder

Hartley Atkinson and Colin McKay as trustees of the Atkinson Family Trust
Level 1, 129 Hurstmere Road, Takapuna, Auckland 0622

Lead Manager

First NZ Capital Securities Limited
Level 39, ANZ Centre, 23-29 Albert Street, Auckland 1010

Legal Advisers to AFT

Harmos Horton Lusk Limited
Level 37, Vero Centre, 48 Shortland Street, Auckland 1010

Auditor

PricewaterhouseCoopers
Level 22, PwC Tower, 188 Quay Street, Auckland 1010

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna, Auckland 0622

AFT *pharmaceuticals*

Working to improve your health