



# Annual Report FY 2024

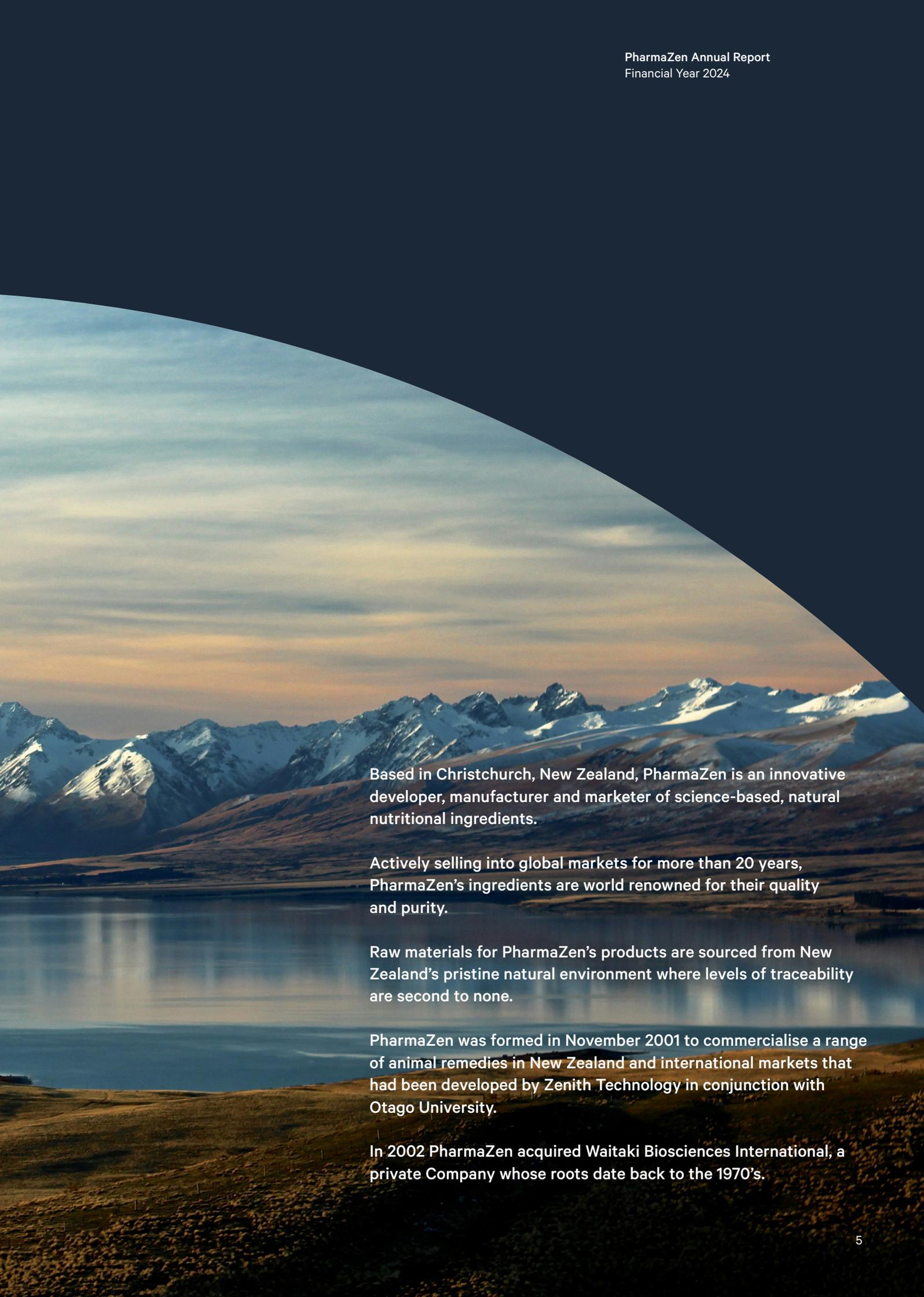
For the year ended  
31 December 2024

# Contents.

06. **Section 01**  
Company Directory.
08. **Section 02**  
Year in Review.
10. **Section 03**  
Chair's Report.
12. **Section 04**  
Directors' Report.
14. **Section 05**  
Directors' Responsibility Statement.

16. **Section 06**  
Statement of Profit & Loss.
18. **Section 07**  
Statement of Comprehensive Income.
20. **Section 08**  
Statement of Changes in Equity.
22. **Section 09**  
Statement of Financial Position.
24. **Section 10**  
Statement of Cash Flows.
26. **Section 11**  
Notes to the Financial Statements.
66. **Section 12**  
Statement of Corporate Governance.
70. Independent Auditor's Report to the Shareholders of PharmaZen Limited.





Based in Christchurch, New Zealand, PharmaZen is an innovative developer, manufacturer and marketer of science-based, natural nutritional ingredients.

Actively selling into global markets for more than 20 years, PharmaZen's ingredients are world renowned for their quality and purity.

Raw materials for PharmaZen's products are sourced from New Zealand's pristine natural environment where levels of traceability are second to none.

PharmaZen was formed in November 2001 to commercialise a range of animal remedies in New Zealand and international markets that had been developed by Zenith Technology in conjunction with Otago University.

In 2002 PharmaZen acquired Waitaki Biosciences International, a private Company whose roots date back to the 1970's.

# Company Directory.

<b>Company Number</b>	1168773
<b>Issued Capital</b>	219,493,482 Ordinary Shares 35,000,000 Redeemable Convertible Preference Shares (RCPS)
<b>Registered Office</b>	3 Desi Place Hillsborough, 8022 Christchurch
<b>Shareholders</b>	Listed on the USX (Unlisted Securities Exchange)
<b>Directors</b>	V H Pooch (appointed as Chair 2 September 2024) C L McIntosh Dr W L Burt J R Chan (appointed 1 February 2024) K W Fergus (retired as Director 30 November 2024) P W Dobbs (retired 27 June 2024)
<b>Bankers</b>	Bank of New Zealand Limited Christchurch, New Zealand
<b>Solicitors</b>	Wynn Williams and Co. Christchurch, New Zealand
<b>Auditors</b>	Grant Thornton New Zealand Audit Limited Christchurch, New Zealand

# Year in Review.

## 2024 Sales

**30.2<sub>M</sub>**

**5% increase  
over FY2023**

## Gross Margin

**29.4%**

**4 percentage  
points decrease  
compared to FY2023**

## Underlying EBITDA

**2.2<sub>M</sub>**

Note 1.

**47% decrease  
from FY2023**

Note 1. – Underlying EBITDA is Earnings Before Interest, Tax, Depreciation, Amortisation and Non-trading items.

Non-trading items include any revenue or expense items recognised as a result of the IFRS treatment of the Cibus investment in the Company in January 2021, any costs associated with the employee share scheme, loss on sale as a result of the sale and lease-back transaction and impairment costs.

# Chair's Report.

Dear Shareholders,

In the 2024 financial year, the Company achieved sales of \$30.2 million, representing a 5% increase on the prior year. However, underlying EBITDA declined 47% to \$2.2 million, a disappointing outcome and below expectations.

The reported net loss before tax of \$10.0m includes a non-trading expense item of \$8.0m for impairment of assets offset against net non-trading income of \$1.9m. The \$8.0m impairment charge is to reflect the write-down of assets as a result of the International Financial Reporting Standards (IFRS) required adjustment at year end. Other non-trading items includes income of \$3.7m relating to the annual revaluation of the Cibus Redeemable Convertible Preference Shares netted against an expense item of \$1.9m for employee share options. These non-trading items do not have any cash impact on the business.

Gross profit for the year was \$8.9m, representing 29% of sales. This was \$760,000 below the prior year, primarily due to a less favourable sales mix and increased raw material costs which were not fully recoverable through pricing. Direct overheads increased by 4%, in line with expectations and below the rate of sales growth.

Indirect cost pressures, particularly from interest and insurance premiums, also affected profitability again. Interest expenses rose by \$990,000 and insurance costs by \$580,000 compared to the prior year. These increases have put strain on working capital and cash reserves.

The un-commissioned plant and equipment, primarily at Tawhiri 1, remain central to our long-term strategy of adding value to local raw materials to serve a diverse range of export customers. Completion of this investment is essential to meet projected demand and manage risk around ongoing insurance costs. The Board is actively exploring a capital raise to reduce debt and ensure completion of key capital projects in a staged manner.

## Looking Ahead

The 2025 year brings both significant challenges and opportunities.

While the Company's core business continues to show strong growth, this has been offset by a temporary decline in our extraction operations. Our long-standing partner faced legal delays in deploying their new vessel, which restricted raw material supply. With contractual obligations concluding after negotiation in February 2024, we gained the flexibility to pursue new strategic partnerships.

The Company's extraction facility is world class, and we were able to commence commercial sales with a new partner in the first quarter of 2025.

Branded products remain a cornerstone of our growth strategy. We are excited to confirm that our functional pet supplement range will launch in Australia in August through our newly formed joint venture with Cenversa—Vetralife Ltd. This partnership brings together our science-driven formulation and manufacturing capabilities with Cenversa's extensive veterinary distribution network. We believe Vetralife is well-positioned to become a leader in the growing category of veterinary-supported pet wellness.

With increased capacity now in place and new partnerships secured, we are confident the Company is on a favourable trajectory toward sustainable and diversified growth.

On behalf of the Board, I would like to thank our Shareholders and customers for their continued support and patience through a demanding year. I also extend our sincere appreciation to the employees and management team, led by Managing Director, Craig McIntosh for their commitment and perseverance. The Operations team in particular have performed above and beyond in pursuit of the Board's goals and their success in sustaining high standards of food and operational safety is a credit to them.

I also want to take this opportunity to thank Ken Fergus and Peter Dobbs who both stepped down from the Board in 2024. Ken contributed for 18 years on the PharmaZen Board and Peter for nine. Both Ken and Peter have been instrumental in driving our growth over recent years and guiding the Company's strategic direction. The Board extends its sincere gratitude to Ken and Peter for their outstanding contribution and commitment that has helped shape the Company's success.

We remain optimistic about the future and are committed to building long-term value for all Stakeholders.

Yours sincerely,



Vincent Pooch  
Chair

# Directors' Report.

## Principal Activity

The Company formulates, manufactures and sells advanced human and animal nutritional ingredients.

## Dividend

No dividend was declared or paid during the period.

## Directors' Interests

### Directors' Fees

Directors' fees paid or payable to Directors of the Company during the year were \$173,750 (2023: \$138,383). Director remuneration is paid from the total Director fee pool of \$180,000 approved by shareholders at the 2021 Annual Meeting.

### Directors' Loans

During the year the Company received (i) an advance of \$990,000 from the K W and B H Fergus Family Trust – an entity related to retired Director Ken Fergus, (ii) an advance of \$100,000 from Key Business Partners Limited – an entity related to Director Vincent Pooch, and (iii) an advance of \$100,000 from Curraghs EQ Trust (2023: \$990,000) an entity related to the Managing Director Craig McIntosh. The Company pays interest to all of these entities at a rate of 12% per annum.

There are no other loans to or from Director's at 31 December 2024.

## Share Dealing

The table below records the PharmaZen Limited shares in which each Director had a relevant interest as at 31 December 2024 and 31 December 2023.

Director	Beneficial		Non-Beneficial	
	2024	2023	2024	2023
C L McIntosh	28,016,000	28,016,000	-	-
Dr W L Burt	30,450,919	30,450,919	-	-
V H Pooch	-	-	-	-
J R Chan (appointed 1 February 2024)	-	-	-	-
K W Fergus (retired 30 November 2024)	8,000,000	8,000,000	5,599,268	5,599,268
P W Dobbs (retired 27 June 2024)	1,978,674	1,978,674	-	-
G P Shepherd (retired 28 February 2023)	2,067,282	2,067,282	-	-
D C Petrie (retired 3 July 2023)	-	-	35,000,000	35,000,000
M N Callagher (retired 19 June 2023)	-	-	-	-

## Number of Shares

The shares associated with D C Petrie are Redeemable Convertible Preference Shares owned by Cibus Oscar Limited. All other shares in the table above are ordinary shares.

## Share Ownership

The Company does not have a share ownership requirement for Directors.

## Director Independence

J R Chan and V H Pooch are considered independent Directors in that they are non-executive Directors who are not shareholders and who are free of any interest; business or other relationship that would materially interfere with, or could reasonably be seen to materially interfere with, the independent exercise of their judgement.

## Substantial Security Holders

The Company's register of substantial security holders at 31 December 2024 is as follows:

Name	Number of Voting Securities
M G Shepherd & L A Shepherd & Downie Stewart Trustee Limited	35,092,204
Cibus Oscar Limited	35,000,000
Craig Lachlan McIntosh & Andrew James McIntosh & Glenn Alexander McIntosh	20,536,000
Citibank Nominees New Zealand Limited	14,500,000
BNP Paribas Nominees (NZ) Limited	14,500,000
FNZ Custodians Limited	13,539,602
Lee Paterson Family Trust Company Limited	11,557,312

## Employee Remuneration

Nineteen employees (2023: thirteen employees) received remuneration in excess of \$100,000 as follows:

	2024	2023
	No. of employees	No. of employees
\$100,000 - \$110,000	3	3
\$110,001 - \$120,000	7	2
\$120,001 - \$130,000	1	4
\$130,001 - \$140,000	2	-
\$140,001 - \$150,000	3	2
\$150,001 - \$160,000	1	-
\$270,001 - \$280,000	-	1
\$300,001 - \$310,000	1	-
\$350,001 - \$360,000	-	1
\$380,001 - \$390,000	1	-

# Directors' Responsibility Statement.

The Directors are pleased to present to shareholders the financial statements for PharmaZen Limited for the year ended 31 December 2024. The financial statements presented are signed for and on behalf of the Board, authorised for issue on the date below.

The Directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which materially reflect the financial position of the Company as at 31 December 2024 and the results of its operations and cash flows for the year ended on that date.

The Directors consider the financial statements of the Company have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The financial statements are signed on behalf of the Board by:



V H Pooch  
Chair



C L McIntosh  
Managing Director

5 June 2025

# Statement of Profit & Loss.

	Notes	2024 \$	2023 \$
<b>Revenue</b>			
Sales	3a	30,211,387	28,855,034
Cost of sales		21,341,702	19,224,918
Gross profit		8,869,685	9,630,116
Other income	3b	687,143	27,629
<b>Expenses</b>			
Trading Expenses			
Marketing		1,537,222	1,114,496
Occupancy		201,605	170,801
Administrative		1,656,814	1,513,772
Consultancy		504,712	480,981
Research		482,731	388,849
Finance costs	3c	2,582,039	1,589,113
Depreciation on property, plant and equipment	12	2,898,672	2,624,115
Depreciation on right-of-use assets	24	590,214	413,066
Amortisation of intangibles	13	37,404	47,591
Insurance		2,142,602	1,558,652
Insurance claim costs		673,824	–
Other expenses		150,624	241,330
Total Trading Expenses		13,458,463	10,142,766
Non-trading items (income) / expense - other	3e	(1,902,216)	(5,737,011)
Non-trading items expense - impairment of assets	3f	7,994,090	–
Total Non-trading items expense / (income)		6,091,874	(5,737,011)
<b>Net (loss) / profit before taxation from continuing activities</b>		<b>(9,993,509)</b>	<b>5,251,990</b>
Taxation credit	4a	(2,273,138)	(215,928)
<b>Net (loss) / profit for the year</b>		<b>(7,720,371)</b>	<b>5,467,918</b>
<b>Earnings / (loss) per share</b>			
Basic and diluted (cents per share)	14	(3.52)	2.49

# Statement of Comprehensive Income.

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Net (loss) / profit for the year	(7,720,371)	5,467,918
Other comprehensive income	-	-
<b>Total comprehensive (loss) / income</b>	<b>(7,720,371)</b>	<b>5,467,918</b>

# Statement of Changes in Equity.

<b>2024</b>	<b>Notes</b>	<b>Fully paid ordinary shares \$</b>	<b>Share Option Reserve \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
Balance at 1 January 2024		12,483,805	1,759,904	13,518,636	27,762,345
Options expensed during the period	15	–	1,529,589	–	1,529,589
Options expensed during the period due to repricing	15	–	386,407	–	386,407
Options expired during the period	15	–	(19,003)	19,003	–
Options expired during the period but not vested	15	–	(73,212)	–	(73,212)
Net (loss) / profit for the year		–	–	(7,720,371)	(7,720,371)
<b>Balance at 31 December 2024</b>		<b>12,483,805</b>	<b>3,583,685</b>	<b>5,817,268</b>	<b>21,884,758</b>
<b>2023</b>	<b>Notes</b>	<b>Fully Paid Ordinary Shares \$</b>	<b>Share Option Reserve \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
Balance at 1 January 2023		12,483,805	1,436,808	7,990,222	21,910,835
Options expensed during the period	15	–	670,712	–	670,712
Options expensed during the period due to repricing	15	–	–	–	–
Options expired during the period	15	–	(60,496)	60,496	–
Options expired during the period but not vested	15	–	(287,120)	–	(287,120)
Net (loss) / profit for the year		–	–	5,467,918	5,467,918
<b>Balance at 31 December 2023</b>		<b>12,483,805</b>	<b>1,759,904</b>	<b>13,518,636</b>	<b>27,762,345</b>

# Statement of Financial Position.

	Notes	2024 \$	2023 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		94,931	18,636
Trade and other receivables	7	7,179,350	7,229,639
Derivative financial instruments		–	350,545
Prepayments		1,650,010	1,728,184
Inventories	8	7,547,027	4,312,178
Current tax assets	4c	30,995	–
<b>Total current assets</b>		<b>16,502,313</b>	<b>13,639,182</b>
Non-current assets			
Property, plant and equipment	12	48,808,799	55,079,468
Right-of-use assets	24	5,674,929	6,193,794
Intangible assets	13	–	718,653
Deferred tax assets	4d	1,591,562	–
<b>Total non-current assets</b>		<b>56,075,290</b>	<b>61,991,915</b>
<b>Total assets</b>		<b>72,577,603</b>	<b>75,631,097</b>
<b>Liabilities</b>			
Current liabilities			
Bank overdraft		1,912,330	1,806,095
Accounts payable and accruals	9	10,150,296	6,345,901
Derivative financial instruments		376,216	–
Lease liabilities	24	345,280	312,942
Current tax liabilities	4c	–	195,866
Borrowings	10	25,785,720	3,103,753
Shareholder and Director advances	10	3,273,564	–
<b>Total current liabilities</b>		<b>41,843,406</b>	<b>11,764,557</b>
Non-current liabilities			
Borrowings	10	–	21,659,280
Shareholder and Director advances	10	–	1,006,910
Lease liabilities	24	5,594,439	5,845,254
Redeemable convertible preference shares	11	3,255,000	7,000,000
Deferred tax liabilities	4d	–	592,751
<b>Total non-current liabilities</b>		<b>8,849,439</b>	<b>36,104,195</b>
<b>Total liabilities</b>		<b>50,692,845</b>	<b>47,868,752</b>
<b>Owners Equity</b>			
Share capital	14	12,483,805	12,483,805
Share option reserve	15	3,583,685	1,759,904
Retained earnings	16	5,817,268	13,518,636
<b>Total equity</b>		<b>21,884,758</b>	<b>27,762,345</b>
<b>Total liabilities and owners equity</b>		<b>72,577,603</b>	<b>75,631,097</b>

# Statement of Cash Flows.

	Notes	2024 \$	2023 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and other income		31,727,932	25,857,694
Interest received		7,826	7,863
Taxation refund received / (paid) - net		(138,036)	(37,131)
Payments to suppliers and employees		(28,017,640)	(24,600,894)
Payment of interest		(3,285,963)	(2,563,759)
<b>Net cash from (used in) operating activities</b>	<b>22</b>	<b>294,119</b>	<b>(1,336,227)</b>
<b>Cash Flows from Investing Activities</b>			
Payment for property, plant and equipment		(3,186,928)	(4,597,730)
Payments for asset held for sale		–	(782,592)
Proceeds from disposal of property, plant and equipment		–	8,937,049
Payment for intangible assets		(49,992)	(41,548)
<b>Net cash (used in) from investing activities</b>		<b>(3,236,920)</b>	<b>3,515,179</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		1,612,187	453,729
Proceeds from Shareholder and Director advances		2,180,000	990,000
Lease liability		(289,826)	(271,903)
Repayment of loans		(589,500)	(10,500)
<b>Net cash from financing activities</b>		<b>2,912,861</b>	<b>1,161,326</b>
Net (decrease) / increase in cash and cash equivalents		(29,940)	3,340,278
Cash and cash equivalents at the beginning of the year		(1,787,459)	(5,127,737)
<b>Cash and cash equivalents at the end of the year</b>		<b>(1,817,399)</b>	<b>(1,787,459)</b>
<b>Comprised of:</b>			
Cash and cash equivalents		94,931	18,636
Bank overdraft		(1,912,330)	(1,806,095)
<b>Net cash</b>		<b>(1,817,399)</b>	<b>(1,787,459)</b>

# Notes to the Financial Statements.

## 1) Summary of Material Accounting Policies

### Reporting Entity

PharmaZen Limited (“PharmaZen” or “Company”) is a profit-oriented entity incorporated and domiciled in New Zealand.

The principal activity of the Company is formulating, manufacturing and marketing specialised animal and human health products based on immune protective bioactive components and other novel bioactive ingredients.

As an issuer, the Directors have determined that the Company is a FMC reporting entity.

These financial statements comply with the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The financial statements were authorised for issue on 5 June 2025.

### Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (“NZ GAAP”). For the purposes of complying with NZ GAAP, the Company is a for-profit entity that complies with the New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and other applicable financial reporting standards as appropriate for profit-oriented entities.

The financial statements also comply with International Financial Reporting Standards (“IFRS”).

### Basis of Preparation

The financial statements have been prepared on the basis of historical cost unless otherwise stated. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements presented are rounded to the nearest whole dollar in New Zealand dollars which is the Company’s functional and presentation currency.

The financial statements have been prepared on a Going Concern basis. Refer to note 2 Going Concern.

### Critical Judgements and Estimates in Applying Accounting Policies

In the application of NZ IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates are disclosed, where applicable, in the relevant notes to the financial statements.

The key areas where judgement is required are:

- Revenue Recognition (refer to Judgement – Sale of goods note and Judgement – Processing services note).
- Inventory Costings (refer to Judgement – Inventories note).
- Recognition of the cost associated with the Employee Share Scheme – (refer to note 15 Share Option Reserve).
- Fair value measurement of financial liabilities measured at fair value through profit or loss (refer to Judgement – Measurement of RCPS and warrants note).
- Going Concern (refer note 2).
- Impairment of Assets (refer to note 25 Impairment of Non-financial Assets).

## Summary of Material Accounting Policies

The principal material accounting policies applied in the preparation and presentation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

### Property, Plant and Equipment

All items of property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment, other than land.

Depreciation is calculated on a straight line basis so as to write off the net cost of the asset over its expected useful life to its estimated residual value. The following estimates of useful lives are used in the calculation of depreciation:

– Buildings	6–50 years
– Furniture, fixtures and fittings	3–15 years
– Motor vehicles	7 years
– Plant and machinery	3–50 years
– Right-of-use assets	2–18 years

Accounting policies relating to right-of-use lease assets are separately disclosed.

Assets in the course of construction for use in the production or supply of goods, or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Impairment of Non-financial Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

The Directors have determined there is one cash-generating unit within the Company. An impairment loss is recognised for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the cash-generating unit and determines a suitable discount rate in order to calculate the present value of those

cash flows. Discount factors are determined for the cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any intangible assets allocated to the cash-generating unit and any remaining impairment loss is charged pro rata to other property, plant and equipment in the cash-generating unit.

The Company tests its cash-generating unit annually for impairment. The recoverable amount of a cash-generating unit is the higher of the cash-generating unit's fair value less cost of disposal ('FVLCD') and its value-in-use. FVLCD is determined based on the market capitalisation approach, using the turnover and earnings multiples derived from observable market data.

Calculation of the value-in-use is determined by reviewing a detailed five-year forecast approved by the management, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows of each cash-generating unit is determined by applying a suitable discount rate reflecting current market assessments of the time value of money.

The value of key assumptions used reflect historical data from both external and internal sources.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

## Intangible Assets

Intangible assets relate to expenditure on patents and trademarks that are expected to have an enduring benefit to the Company. Intangible assets are stated at their accumulated historical cost until such time as confirmation has been received that the patent or trademark to which the expenditure relates has been approved. From that time the cost is amortised on a straight-line basis over the expected useful life of the asset for intangible assets with a finite useful life. Any amortisation is based on an expected useful life of ten (10) years for both patents and trademarks.

Where an application is declined and management decides not to take the matter further, the accumulated expenditure is expensed in the year that decision is taken. Management assesses all intangible assets for impairment on an annual basis and any necessary adjustments are made to carrying values.

## Internally-generated Intangible Assets – Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use.
- The intention to complete the intangible asset and use it.
- The ability to use the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit or loss in the period in which it is incurred. 29

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

## Revenue Recognition

### Sale of Goods

PharmaZen sells human and animal nutritional products to customers in the Americas, Asia, Europe, New Zealand and Australia. Revenue is recognised and the transaction price is allocated by the Company when it passes control of the goods, which occurs at the time risk passes to the customer, dependent on relevant shipping terms for the customer. This represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is made. The transaction price is defined as the amount of consideration the Company expects to be entitled to in exchange for providing the goods.

### Judgement – Sale of Goods

The Company concluded that revenue should be recognised when control of the goods passes to the customer. The timing of which is assessed to be upon transfer of risk in accordance with the relevant Incoterms that apply to the transaction.

### Processing Services

PharmaZen provides contract processing services to external customers. Revenue is recognised and the transaction price is allocated by the Company when it passes control of the goods, which occurs at the time risk passes to the customer, dependent on relevant shipping terms for the customer. This represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is made. The transaction price is defined as the amount of consideration the Company expects to be entitled to in exchange for providing the service.

### Judgement – Processing Services

The Company concluded that revenue should be recognised when control of the goods to which the processing services relate passes to the customer. The timing of which is assessed to be upon transfer of risk in accordance with the relevant Incoterms that apply to the transaction.

## Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of these assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

## Taxation

### Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or taxable loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted at reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent it is unpaid (or refundable).

## Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or equity respectively.

At the moment of initial recognition of a right-of-use asset, the deferred tax liability is not recognised as at the time of the transaction there is no impact on either accounting profit or taxable profit (tax loss). At the moment of initial recognition of a lease liability the deferred tax asset is not recognised as at the time of the transaction there is no impact on either accounting profit nor taxable profit (tax loss).

## Inventories

Inventories are valued at the lower of cost or net realisable value. Cost in respect to work in progress and finished goods are determined using standard costing. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory. Net realisable value represents the estimated selling price, less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## Judgement – Inventories

The Company has determined that the standard costing method of stock valuation is the most appropriate method for the Company.

## Goods and Services Tax (GST)

All items in the balance sheet are stated exclusive of GST, except for receivables and payables, which include GST. All items in the income statement are stated exclusive of GST.

## Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank overdraft, demand deposits, other short-term highly liquid investments (with a maturity less than three months) that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

## Trade Receivables

Trade receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss at an amount equal to lifetime expected credit losses.

Expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Financial assets are deemed to be impaired when there is objective evidence of impairment at the reporting date.

## Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs. Direct issue costs include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers and printing and distribution costs.

## Accounts Payable

Trade payables and other accounts payable are recognised at fair value when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

These are recorded at fair value.

## Financial Instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

## Borrowings

Borrowings are recorded at fair value, plus transaction costs.

## Financial Liabilities

All financial liabilities are measured at amortised cost using the effective interest method or at fair value through profit or loss.

## Financial Liabilities measured at Amortised Cost

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

## Financial Liabilities measured at Fair Value through Profit or Loss

The Company has Redeemable Convertible Preference Shares (RCPS) which may be settled in cash or a variable number of ordinary shares and therefore are classified as liabilities. Refer to note 11 for more information.

In addition, the Company issued warrants, which are derivative liabilities and were therefore measured at fair value through profit or loss.

All transaction costs related to financial instruments designated as at fair value through profit or loss are expensed as incurred.

## Judgement – Measurement of RCPS and Warrants

There is judgment regarding the input variables and measurement methodology for the recognition of the RCPS and warrants.

## Employee Benefits

Provisions are recognised for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

## Share Based Employee Remuneration

The Company operates an equity-settled, share-based remuneration plan for its employees. None of the Company's plans are cash-settled. All share-based remuneration is ultimately recognised as an expense in profit or loss with the expense allocated over relevant expected vesting periods.

## Financial Assets

The Company's financial assets held in order to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding are measured at amortised cost. Cash and cash equivalents and accounts receivable are classified in this category.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

## Foreign Currency Transactions

All foreign currency transactions during the financial year are brought to account using a monthly exchange rate that is set at the start of each month and is used to approximate the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise.

## Leases

The Company uses leases for some real property, plant and machinery and motor vehicles.

The Company assesses whether a contract contains a lease at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as leases with the underlying asset value, when new, of lower than \$5,000). For short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

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

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options.
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The Company applies NZ IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of non-financial assets' policy.

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

A sale and lease-back transaction is a transaction where an entity (the seller-lessee) transfers an asset to another entity (the buyer-lessor) for consideration and leases that asset back from the buyer-lessor. This is not a commonly completed transaction by the Company.

As a practical expedient, NZ IFRS 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

## Statement of Cash Flows

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the statement of profit and loss.

### Definition of Terms used in the Statement of Cash Flows

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

Financing activities are those activities relating to changes in the equity and debt capital structure of the Company and those activities relating to the cost of servicing the Company's equity.

## New and Amended Standards and Interpretations

During May 2024, IASB issued NZ IFRS 18 which will replace NZ IAS 1 'Presentation of Financial Statements' for reporting period on or after 1 January 2027, with early adoption permitted.

NZ IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified roles of the primary financial statements and the notes. Further, the classification of interest and dividends within the statement of cash flows will change for some entities. Management is currently assessing the impact of NZ IFRS 18 on presentation and disclosures in the Financial Statements.

A number of other accounting standards and interpretations have been issued and will be applicable in future periods. Whilst these remain subject to ongoing assessment, no significant impacts have been identified to date. These pronouncements have not been applied in the preparation of these Financial Statements.

## Change in Accounting Policies

There are no changes in accounting policies.

## 2) Going Concern

PharmaZen experienced challenging trading conditions during the 2024 financial year.

In recent years, the Company has invested significantly in plant and equipment, increasing core freeze-drying capacity by over 100% between 2022 and 2024. This investment was expected to deliver revenue growth of more than 40% across the period. However, actual revenue growth was limited to 15%, primarily due to a temporary decline in extraction operations. This decline stemmed from unresolved legal issues faced by our key extraction customer relating to the construction of a new vessel.

Our contractual obligations with this customer have since concluded, enabling PharmaZen to pursue new strategic partnerships for our extraction capabilities. The Tawhiri 1 facility is a world-class operation with significant processing capacity and capability, situated in a strategically valuable location given the current global tariff environment. Replicating this plant with similar capabilities would come at a significantly higher cost than its current book value.

However, in light of the lower-than-expected revenue growth, the Board has made the decision to place the development of the Tawhiri 2 site on hold. The property is now being actively marketed for sale.

Due to the combination of growth capital expenditure and lower-than-forecast returns, impairment testing of the PharmaZen cash-generating unit has resulted in an accounting impairment charge of \$8.0m for the period.

These factors contributed to the Company recording:

- A net loss before tax of \$10.0m (2023: net surplus before tax of \$5.3m);
- A working capital deficit of \$25.3m (2023: working capital surplus of \$1.9m); and
- A net cash outflow for the year of \$0.03m (2023: net cash inflow of \$3.3m).

Additional material matters noted by Directors include:

- The Company's bank covenants require maintaining earnings before interest and tax (EBIT) at a minimum of 2.5 times gross interest expense and adjusted shareholder funds to be maintained at a minimum of 40% of total assets. The Company was not in compliance with these covenants and as no waiver was obtained, borrowings have been reclassified as repayable on demand.
- In May 2025, bank debt of \$12.4m was due to mature. The Company's lenders have extended the facilities until 31 July 2025.
- On 2 May 2025, Cibus Oscar Ltd (Cibus), holder of 35,000,000 Redeemable Convertible Preference Shares (RCPS), issued a notice to redeem and convert these shares into debt, with any resulting debt being payable on demand. The Company is currently in discussions with Cibus and its advisors regarding valuation as the Cibus agreement does not set a specific value but does set the valuation process. When this valuation is determined the Company will assess the options available dependent on the valuation. The carrying value of the RCPS at year-end was \$3.3m (2023: \$7.0m).

These developments give rise to a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. This uncertainty may affect the realisation of assets and the settlement of liabilities in the normal course of business.

In response, the Company has initiated the following actions:

- preparation of detailed cash flow forecasts and sensitivity analysis;
- ongoing negotiations with lenders for debt extension;
- active marketing of the Tawhiri 2 site for sale;
- evaluation of capital raising options; and
- exploration of refinancing solutions for the Cibus-held debt.

The Directors are of the view that the steps being taken will be sufficient to mitigate the identified uncertainties. They have reached this conclusion after having regard to the circumstances which they consider reasonably likely to affect the Company during the period of at least 12 months from the date the financial statements are approved. The key factors considered include the future expected profitability and the Company's capital raise potential. As a result of these considerations, the financial statements have been prepared on a going concern basis.

### 3) Profit from Operations

<b>(a) Revenue</b>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Trading revenue consisted of the following items:		
Sales of goods and services – point in time	30,211,387	28,855,034
	<b>30,211,387</b>	<b>28,855,034</b>
<b>(b) Other income</b>		
Other income from operations consisted of the following items:		
MSD Covid 19 reimbursement	–	5,759
Grants received	10,400	9,460
Interest	7,826	7,863
Insurance proceeds	663,145	–
Miscellaneous income	5,772	4,547
	<b>687,143</b>	<b>27,629</b>
<b>(c) Finance costs</b>		
Interest on borrowings	2,568,405	2,204,523
Interest on lease liabilities	717,558	359,236
Less capitalised interest	(703,924)	(974,646)
	<b>2,582,039</b>	<b>1,589,113</b>
Interest costs that are directly attributable to the acquisition of property, plant and equipment have been capitalised at an average interest rate of 7.45% (2023: 6.3%).		
<b>(d) Specific expense disclosures</b>		
Net profit before taxation includes the following specific expenses:		
Directors' fees	173,750	138,383
Short term and low value leases	10,556	12,212
Inventory written off	143,892	335,514
Employee benefits expense (including share option expense per note 3e)	9,102,452	7,206,896
KiwiSaver employer contributions	209,569	188,069
Doubtful debts expense	(59,980)	18,200
Bad debts expense	–	8,422
<b>(e) Non-trading items (income) / expense - other</b>		
Employee share option expense	1,842,784	383,592
Fair value (gain) on financial liabilities measured at fair value	(3,745,000)	(6,300,000)
Loss arising from sale and lease-back transaction	–	179,397
	<b>(1,902,216)</b>	<b>(5,737,011)</b>
<b>(f) Non-trading items expense - impairment of assets</b>		
Impairment of intangible assets	731,241	–
Impairment of property, plant and equipment	7,262,849	–
	<b>7,994,090</b>	<b>–</b>

## 4) Income Taxes

### (a) Income tax recognised in profit or loss

The prima facie income tax expense on pre-tax accounting profit reconciles to the taxation credit in the financial statements as follows:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Net (loss) / profit before taxation	(9,993,509)	5,251,990
Income tax expense calculated at 28% (2023: 28%)	(2,798,183)	1,470,557
Non-deductible expenses	(12,212)	(1,631,433)
Prior period adjustments	5,715	(678)
Impairment of initial recognition exception buildings and land	459,802	-
Other	71,740	(54,374)
Taxation credit	(2,273,138)	(215,928)
Recognised as:		
Current tax	(88,825)	(92,220)
Deferred tax	(2,184,313)	(123,708)
	<b>(2,273,138)</b>	<b>(215,928)</b>

### (b) Income tax recognised in other comprehensive income or directly in equity

There was no current or deferred tax charged / (credited) directly to other comprehensive income or equity during the period.

### (c) Current tax assets and liabilities

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Current tax assets:		
Income tax payable - current year	(115,518)	-
Income tax refundable - prior years	146,513	-
	<b>30,995</b>	<b>-</b>
Current tax liabilities:		
Income tax payable - current year	-	(4,101)
Income tax payable - prior years	-	(191,765)
	<b>-</b>	<b>(195,866)</b>

**(d) Deferred tax balances**

Deferred tax assets / (liabilities) arise from the following:

<b>2024</b>	<b>Opening Balance</b>	<b>Charged to Income</b>	<b>Closing Balance</b>
	\$	\$	\$
Property, plant and equipment	(1,309,608)	1,138,797	(170,811)
Losses carried forward	501,077	1,056,634	1,557,711
Employee entitlements	138,527	8,001	146,528
Deferred tax on share based payments	–	–	–
Provisions	77,253	(19,119)	58,134
	<b>(592,751)</b>	<b>2,184,313</b>	<b>1,591,562</b>

<b>2023</b>	<b>Opening Balance</b>	<b>Charged to Income</b>	<b>Closing Balance</b>
	\$	\$	\$
Property, plant and equipment	(916,503)	(393,105)	(1,309,608)
Losses carried forward	–	501,077	501,077
Employee entitlements	126,857	11,670	138,527
Deferred tax on share based payments	–	–	–
Provisions	73,187	4,066	77,253
	<b>(716,459)</b>	<b>123,708</b>	<b>(592,751)</b>

**(e) Imputation credit account balances**

	<b>2024</b>	<b>2023</b>
	\$	\$
Balance at beginning of the year	4,088,195	4,300,706
Income tax paid	–	58,905
Income tax payable – current year	–	–
Income tax payable – prior year	–	(270,998)
RDTI credit received	–	97,304
Refunds	–	(97,304)
Other adjustments	3,559	(418)
	<b>4,091,754</b>	<b>4,088,195</b>

## 5) Remuneration of Auditors

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Audit of the financial statements	152,827	134,955

## 6) Key Management Personnel Compensation

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits for Managing Director	380,787	355,804
Consulting fees to Directors	–	8,250
Share options expense for options issued to Directors	240,471	154,514
Directors' fees	173,750	138,383
	<b>795,008</b>	<b>656,951</b>

There were no bonuses, post employment benefits, termination benefits paid or payable in the period to key management personnel.

Key management is defined as the Directors, including the Managing Director.

## 7) Trade and Other Receivables

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Trade receivables (i)	7,071,267	7,241,716
Expected credit losses	–	(59,980)
Net trade receivables	7,071,267	7,181,736
Goods and services tax receivable	108,083	47,903
	<b>7,179,350</b>	<b>7,229,639</b>

(i) The average credit period on sale of goods is 73 days from invoice (2023: 60 days).

The average age of these receivables at 31 December 2024 is 26 days (2023: 29 days). Receivables are generally insured to 85% of their value if such insurance is available. The expected credit losses are based on the Company's history of losses, a review of specific receivables and the Company's view on the likelihood of losses for those specific receivables.

## 8) Inventories

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Raw materials	4,495,850	2,140,943
Work in progress	875,975	389,365
Finished goods	2,175,202	1,781,870
	<b>7,547,027</b>	<b>4,312,178</b>

## 9) Accounts Payable and Accruals

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Accounts payable	5,484,022	3,010,433
Other payables and accruals	3,499,398	2,080,459
Employee entitlements	644,462	571,214
Revenue invoiced in advance	522,414	683,795
	<b>10,150,296</b>	<b>6,345,901</b>

## 10) Borrowings

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Total borrowings at beginning of period	25,769,943	24,319,804
Proceeds from borrowings during the year	3,878,841	1,460,639
Loans repaid during the year	(589,500)	(10,500)
<b>Total borrowings at end of period</b>	<b>29,059,284</b>	<b>25,769,943</b>
Borrowings repayable within one year at amortised cost		
Unsecured borrowings	3,273,564	–
Secured borrowings	25,785,720	3,103,753
	<b>29,059,284</b>	<b>3,103,753</b>
Borrowings repayable after one year at amortised cost		
Unsecured borrowings	–	1,006,910
Secured borrowings	–	21,659,280
	–	<b>22,666,190</b>

The secured borrowings mature between 31 July 2025 and 9 July 2026, bear interest at a weighted average rate of 7.0% (2023: 7.3%) and are secured by a mortgage over the Company's land and buildings at Port Hills Road, Nuttall Drive and Hoskyns Road, Christchurch and all property currently owned and acquired in the future during the borrowing terms.

The secured borrowings contain financial covenants requiring adjusted shareholder funds to be maintained at a minimum of 40% of total assets on a quarterly basis and that interest paid is not greater than 2.5x EBIT. The loans can become repayable on demand if an event of default is deemed to have occurred. The Company has breached bank covenants at year end.

The Company entered into an export trade finance facility 21 November 2016. This is a revolving credit facility allowing the Company to fund up to \$1,200,000 of its total debt in foreign currencies. This facility was drawn against at 31 December 2024 to the extent of \$1,215,940 (2023: \$1,103,753), the excess amount above the facility limit is due to exchange rate differences between those applied by the facility provider and those used in this Annual Report.

### Other Borrowings

The Company has bank overdraft facilities with BNZ with a limit of \$2,750,000 (2023: \$2,750,000). At balance date the Company had drawn down \$1,912,330 of that facility (2023: \$1,806,095). Cash and cash equivalents are entitled to be set off against the bank overdraft as required.

The Company operates credit card accounts, mainly for travelling expenses, with a combined credit limit of \$59,500.

The Company received unsecured advances of \$2,180,000 from people associated to the entity during 2024. The Company pays interest at a rate of 12% per annum – part of this interest is paid in cash and part is accrued. The balance outstanding at year end is \$3,273,564 (2023: \$1,006,910).

## 11) Financial Liabilities designated at Fair Value through Profit or Loss

The carrying value of the Company's financial liabilities designated at fair value through profit or loss are detailed below:

<b>31 December 2024</b>	<b>Redeemable Convertible Preference Shares</b>	<b>Warrants</b>	<b>Total</b>
	\$	\$	\$
Opening balance	7,000,000	–	7,000,000
Issued during period	–	–	–
Fair value (gain)	(3,745,000)	–	(3,745,000)
Settled during the period	–	–	–
<b>Closing balance</b>	<b>3,255,000</b>	<b>–</b>	<b>3,255,000</b>

<b>31 December 2023</b>	<b>Redeemable Convertible Preference Shares</b>	<b>Warrants</b>	<b>Total</b>
	\$	\$	\$
Opening balance	12,926,000	374,000	13,300,000
Issued during period	–	–	–
Fair value (gain)	(5,926,000)	(374,000)	(6,300,000)
Settled during the period	–	–	–
<b>Closing balance</b>	<b>7,000,000</b>	<b>–</b>	<b>7,000,000</b>

### **(a) Redeemable Convertible Preference Shares (RCPS)**

In January 2021 the Company issued 35,000,000 RCPS at an issue price of 40 cents per share. Included as part of this transaction was the issuing of 10,000,000 warrants as set out in note 11b.

Key features of the RCPS are:

- The RCPS have the same rights as the ordinary shares of the Company in that they receive discretionary dividends as declared for ordinary shares and do not have a fixed annual return.
- The RCPS mandatorily convert to ordinary shares in certain specific circumstances relating to a liquidity event occurring and specified returns being made by the holder of the RCPS.
- Alternatively, after three years from date of issue, the RCPS convert into ordinary shares at the option of the investor.
- The conversion ratio is one RCPS for one ordinary share except as modified for any adjustments required under a dilution event, where the investor would maintain their rights to a shareholding position as if the dilution event had not occurred.
- The RCPS are redeemable into cash at the option of the investor if a Redemption Event occurs. Examples of Redemption Events include (but not limited to):
  - (i) A liquidity event not occurring within six years of the issue of the RCPS.
  - (ii) Where the Investor's nominated Director resigns or is removed and where the Investor's replacement Director is not appointed by the Company by at least two months from nomination.
  - (iii) Specific "Reserved Matters" occurring without the consent of the investor.
  - (iv) Breaches of RCPS terms.
  - (v) Specific insolvency events.

Refer to note 23(k) regarding fair value measurement of these instruments.

On 2 May 2025 Cibus Oscar Limited the holder of 35,000,000 RCPS issued a redemption notice to the Company. This notice requires a valuation of the RCPS and the conversion of these RCPS to debt.

### **(b) Warrants**

At the same time the 35,000,000 RCPS were issued, the Company issued 10,000,000 warrants to acquire additional RCPS.

Key features of the warrants are:

- The warrants had a term of three years from date of issue that expired on 29 January 2024.
- The purchase price of the RCPS attached to the warrant varied depending on when during the three year term the warrant is exercised.
  - (i) If exercised within the first year, \$0.400 per RCPS.
  - (ii) If exercised between the first and second year, \$0.425 per RCPS.
  - (iii) If exercised between the second and third year, \$0.450 per RCPS.

The warrants were assessed to have a nil fair value as at year end (2023: nil).

The expiry date of 29 January 2024 passed without the investor exercising these warrants.

## 12) Property, Plant and Equipment

2024	Cost	Book Value	Additions	Disposal of nil value assets	Transfers from construction in progress	Cost	Accumulated depreciation	Depreciation expense	Accumulated depreciation reversal on disposal	Impairment	Book value	
	1 Jan 2024	1 Jan 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024	1 Jan 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024	31 Dec 2024	
Plant and machinery	\$ 33,468,099	\$ 25,763,722	\$ 1,459,118	\$ (4,554,453)	\$ 193,159	\$ 34,664,923	\$ 7,704,377	\$ 2,369,856	\$ (455,453)	\$ 9,618,780	\$ 3,244,176	\$ 21,801,967
Motor vehicles	7,817	203	-	-	-	7,817	7,614	203	-	7,817	-	-
Furniture, fixtures, fittings	462,583	112,798	25,998	(294,021)	-	194,560	349,785	67,448	(294,021)	123,212	9,242	62,106
Land	4,298,920	4,298,920	-	-	127,912	4,426,832	-	-	-	-	573,399	3,853,433
Buildings	14,524,231	11,882,807	178,765	(35,595)	40,177	14,707,578	2,641,424	461,165	(35,595)	3,066,994	1,507,782	10,132,802
Construction in progress	13,021,018	13,021,018	2,226,971	-	(361,248)	14,886,741	-	-	-	-	1,928,250	12,958,491
<b>Total property, plant and equipment</b>	<b>65,782,668</b>	<b>55,079,468</b>	<b>3,890,852</b>	<b>(785,069)</b>	<b>-</b>	<b>68,888,451</b>	<b>10,703,200</b>	<b>2,898,672</b>	<b>(785,069)</b>	<b>12,816,803</b>	<b>7,262,849</b>	<b>48,808,799</b>
2023	Cost	Book Value	Additions	Disposal of nil value assets	Transfers from construction in progress	Cost	Accumulated depreciation	Depreciation expense	Accumulated depreciation reversal on disposal	Impairment	Book value	
	1 Jan 2023	1 Jan 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	1 Jan 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	31 Dec 2023	
Plant and machinery	\$ 22,162,180	\$ 16,544,720	\$ 1,673,081	\$ -	\$ 9,632,838	\$ 33,468,099	\$ 5,617,460	\$ 2,086,917	\$ -	\$ 7,704,377	\$ -	\$ 25,763,722
Motor vehicles	7,817	848	-	-	-	7,817	6,969	645	-	7,614	-	203
Furniture, fixtures, fittings	442,838	169,015	19,745	-	-	462,583	273,823	75,962	-	349,785	-	112,798
Land	2,082,906	2,082,906	887,995	-	1,328,019	4,298,920	-	-	-	-	-	4,298,920
Buildings	14,524,231	12,343,398	-	-	-	14,524,231	2,180,833	460,591	-	2,641,424	-	11,882,807
Construction in progress	20,990,320	20,990,320	2,991,555	(10,960,857)	-	13,021,018	-	-	-	-	-	13,021,018
<b>Total property, plant and equipment</b>	<b>60,210,292</b>	<b>52,131,207</b>	<b>5,572,376</b>	<b>-</b>	<b>-</b>	<b>65,782,668</b>	<b>8,079,085</b>	<b>2,624,115</b>	<b>-</b>	<b>10,703,200</b>	<b>-</b>	<b>55,079,468</b>

Property, plant and equipment is impaired - refer note 25

## 13) Intangible Assets

Intangible assets of the Company comprise of internally generated patents and trademarks. At 31 December 2024 all such expenditure incurred related to projects that were either still in progress or have been completed at that date. Intangible asset carrying values have been impaired in the current year following impairment testing of the cash-generating unit (refer to note 25: Impairment of Non-financial Assets).

<b>2024</b>	<b>Progress costs for Patents with finite useful life</b>	<b>Progress costs for Trademarks</b>	<b>Total</b>
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of the year	576,720	381,325	958,045
Additions	15,253	34,739	49,992
<b>Balance at end of the year</b>	<b>591,973</b>	<b>416,064</b>	<b>1,008,037</b>
<b>Amortisation and impairment</b>			
Balance at beginning of the year	(51,174)	(188,218)	(239,392)
Amortisation	(23,081)	(14,323)	(37,404)
Impairment	(517,718)	(213,523)	(731,241)
<b>Balance at end of the year</b>	<b>(591,973)</b>	<b>(416,064)</b>	<b>(1,008,037)</b>
<b>Net balance of intangibles after amortisation and impairment</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2023</b>	<b>Progress costs for Patents with finite useful life</b>	<b>Progress costs for Trademarks</b>	<b>Total</b>
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at beginning of the year	538,460	378,037	916,497
Additions	38,260	3,288	41,548
<b>Balance at end of the year</b>	<b>576,720</b>	<b>381,325</b>	<b>958,045</b>
<b>Amortisation and impairment</b>			
Balance at beginning of the year	(18,870)	(172,931)	(191,801)
Amortisation	(13,417)	(13,503)	(26,920)
Impairment	(18,887)	(1,784)	(20,671)
<b>Balance at end of the year</b>	<b>(51,174)</b>	<b>(188,218)</b>	<b>(239,392)</b>
<b>Net balance of intangibles after amortisation and impairment</b>	<b>525,546</b>	<b>193,107</b>	<b>718,653</b>

## 14) Share Capital

	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>2023</b>
	<b>No. of Shares</b>	<b>\$</b>	<b>No. of Shares</b>	<b>\$</b>
Balance at beginning of the year	219,493,482	12,483,805	219,493,482	12,483,805
Contributions of equity net of transaction costs	-	-	-	-
<b>Balance at end of the year</b>	<b>219,493,482</b>	<b>12,483,805</b>	<b>219,493,482</b>	<b>12,483,805</b>

All shares are fully paid ordinary shares and carry equal voting rights. All shares participate equally in any dividend.

	<b>2024</b>	<b>2023</b>
	Cents/Share	Cents/Share
Basic and diluted (loss) / earnings per share	(3.52)	2.49

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Net (loss) / profit after tax	(7,720,371)	5,467,918
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share.	219,493,482	219,493,482

There are potential ordinary shares that will be issued as a result of the Company's share option plan and or the RCPS agreement, however due to the terms and conditions in the underlying agreements, and the uncertainty as to whether these instruments will convert to equity, these have not been factored into diluted earnings per share.

## 15) Share Option Reserve

The Company has a share option plan for selected employees. The purpose of the plan is to incentivise employees to have the same drivers as shareholders – long term share price appreciation and to increase employee retention. In accordance with the terms of the plan, the selected employees are granted option rights that vest over time. Once an option right vests, the employee is able to pay the exercise price to the Company to purchase ordinary shares in the Company.

The option rights initially granted vest in line with the schedule as below:

- 5% of initial option rights granted vest one year after the date of issue of the options.
- 5% two years after the date of issue of options.
- 5% three years after the date of issue of options.
- 10% four years after the date of issue of options.
- 5% five years after the date of issue of options.
- 5% six years after the date of issue of options.
- 10% seven years after the date of issue of options.
- The remaining 55% of the initial option grant will vest on a timetable provided by the Board if an “Intervening Event” has not occurred one year after the vesting date of the seventh tranche in the schedule above.

The vesting of the employee options accelerate if an “Intervening Event” occurs. For this purpose, an Intervening Event is any of the following:

- (i) The holder of the RCPS issued by the Company in January 2021 to Cibus Oscar Limited either converting those shares into ordinary shares or those RCPS being redeemed by the Company or any other liquidity event arising in relation to those RCPS; or
- (ii) The shares of the Company are listed on the NZX or ASX or a similar recognised exchange; or
- (iii) More than 50% of the voting shares are transferred so control of the Company is held by one entity or group of associated entities; or
- (iv) A takeover offer for the Company is successful; or
- (v) A major transaction is entered into under which the assets of the Company are sold to another entity.

Each employee share option converts into one ordinary share of the Company on exercise. No amounts are payable by the employee on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted to each employee is determined by the Board based on the employee’s value they add to the Company.

Options are exercisable at a price determined by the Board of the Company at the time the options are granted. Options are forfeited if the employee leaves the Company before the options vest and any vested options must be either exercised or are forfeited within two months of an employee leaving the Company.

Details of the share options outstanding during the year are as follows:

	2024	2024	2023	2023
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	14,650,000	66 cents	17,892,500	66 cents
Granted during the year	–	–	–	–
Forfeited during the year	(710,000)	66 cents	(3,242,500)	66 cents
Exercised during the year	–	–	–	–
Expired during the year	–	–	–	–
Outstanding at the end of the year	13,940,000	25 cents	14,650,000	66 cents
Exercisable at the end of the year	2,051,500	25 cents	1,423,750	66 cents

No options have been granted during the year.

The options have been valued using the Black Scholes pricing model. The inputs to the Black Scholes model have been determined by management's best estimates at the time of grant.

At the June 2024 Annual Shareholders Meeting the shareholders agreed to the Directors' recommendation to reprice all employee options to an exercise price of 25 cents per share. There are no other changes to the terms and conditions of these employee options.

In accordance with NZ IFRS 2, the incremental fair value created by this modification was measured on the repricing date and is being recognised as an additional share-based payment expense over the options' remaining vesting period.

The incremental fair value was recalculated using a Black-Scholes option-pricing model that reflected the revised exercise price and the market price of the Company's shares on the modification date, together with updated assumptions for expected volatility, dividend yield, risk-free interest rate and expected option life.

The inputs into the Black Scholes pricing model are as follows (all weighted average):

	2024 (Repricing)	2023 (Inception)
Share price at repricing date / grant date	30 cents	84 cents
Exercise price	25 cents	66 cents
Volatility	40%	40%
Expected life	5.8 years	5.8 years
Risk-free rate	1.3%	1.3%
Expected dividend yields	0%	0%

## 16) Retained Earnings

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of the year	13,518,636	7,990,222
Options expired during the period	19,003	60,496
Total comprehensive income for the year	(7,720,371)	5,467,918
	<b>5,817,268</b>	<b>13,518,636</b>

## 17) Related Party Transactions

Key management personnel are those people with responsibility and authority for planning, directing and controlling the activities of the Company and are considered to be the Directors. The Company purchases Directors' and officers' insurance for the benefit of key management personnel in relation to the services they provide to the Company.

During the year the Company received (i) an advance of \$990,000 from the K W and B H Fergus Family Trust - an entity related to retired Director Ken Fergus, (ii) an advance of \$100,000 from Key Business Partners Limited - an entity related to Director Vincent Pooch, (iii) an advance of \$990,000 from shareholder M G Shepherd and (iv) an advance of \$100,000 from Curraghs EQ Trust (2023: \$990,000) an entity related to the Managing Director Craig McIntosh. The Company pays interest to all of these entities at a rate of 12% per annum.

Details of Directors' remuneration are given in note 6. There were no other sales to, or purchases from, related parties during the period.

		<b>2024</b>	<b>2023</b>	
		<b>\$</b>	<b>\$</b>	
Expenses	Directors' Fees	173,750	138,383	
	Interest	Curraghs EQ Trust (C L McIntosh)	131,592	59,263
		K W and B H Fergus Family Trust (K W Fergus)	109,264	-
		M G Shepherd	88,678	-
		Key Business Partners Limited (V H Pooch)	10,078	-
	Consulting fees	-	8,250	
Payables	Shareholder and Director advances and related interest	Curraghs EQ Trust (C L McIntosh)	1,165,219	1,006,910
		K W and B H Fergus Family Trust (K W Fergus)	1,003,231	-
		M G Shepherd	1,003,828	-
		Key Business Partners Limited (V H Pooch)	101,286	-
	Directors' Fees	Shambhala International Limited (Dr W L Burt)	15,000	22,500
		Key Business Partners Limited (V H Pooch)	10,542	5,328
		Jenodam Investments Limited (J R Chan)	2,500	-
		Arrow Consulting Limited (P W Dobbs)	-	8,625
	Other	C L McIntosh	7,063	-

## 18) Commitments for Expenditure

### (a) Capital expenditure commitments

The Company has committed to but not yet incurred capital expenditure for construction contracts and additional plant purchases as part of its programme for broadening and expanding production capacity. The expenditure committed to, but not yet incurred, as at 31 December 2024 is \$3,600,000 (2023: \$3,660,000).

### (b) Short term and low value asset lease commitments

The Company leases low value items of office and plant equipment in the normal course of business. There were no restrictions imposed by lease arrangements for those assets. There are no sub-lease payments expected at the end of the reporting period.

	<b>2024</b>	<b>2023</b>
	\$	\$
Not later than one year	21,278	3,053
Later than one year, but not later than two years	–	–
Later than two years, but not later than five years	–	–
Later than five years	–	–
	<b>21,278</b>	<b>3,053</b>

## 19) Contingent Assets and Liabilities

There are no contingent assets or liabilities at 31 December 2024 (2023: nil).

## 20) Subsequent Events

On 2 May 2025 Cibus Oscar Limited the holder of 35,000,000 RCPS issued a redemption notice to the Company. This notice requires a valuation of the RCPS and the conversion of these RCPS to debt. The Company is working with Cibus and advisors on this valuation exercise and will update the market when this exercise is complete.

The Tawhiri 2 property has been listed for sale and is being actively marketed. As of the date of this report, the property is still on the market.

## 21) Information About Major Customers

Included in total revenue are revenues which arose from sales to the Company's largest customers as follows:

There were three customers that each comprised more than 10% of the Company's total revenue. Total sales to these three customers in 2024 was \$17,502,956 (2023 had three customers with sales greater than 10% totalling \$16,836,770).

## 22) Notes to the Cash Flow Statement

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Reconciliation of net (loss) / profit after taxation with net cash flows from operating activities		
<b>Net (loss) / profit for the year</b>	<b>(7,720,371)</b>	<b>5,467,918</b>
<b>Adjustments for non-cash items:</b>		
Depreciation on property, plant and equipment and right-of-use assets	3,488,886	3,037,181
Amortisation on intangibles	37,404	47,591
Impairment of assets	7,994,090	–
Inventory written off	143,892	335,514
Movement in deferred taxation	(2,184,313)	(123,708)
Interest capitalised	(703,924)	(974,646)
Employee share option expense	1,842,784	383,592
Fair value (gain) on financial liabilities measured at fair value	(3,745,000)	(6,300,000)
Loss arising from sale and lease-back transaction	–	179,397
Interest accrued on Shareholder and Director advances	86,654	16,910
	<b>6,960,473</b>	<b>(3,398,169)</b>
<b>Movements in working capital :</b>		
Trade and other receivables, including prepayments	128,463	(3,635,365)
Inventories	(3,378,741)	(257,330)
Derivative financial instruments	726,761	–
Employee entitlements	73,248	(7,454)
Current tax	(226,861)	(129,351)
Accounts payable and accruals	3,731,147	623,524
	<b>1,054,017</b>	<b>(3,405,976)</b>
<b>Net cash from (used in) operating activities</b>	<b>294,119</b>	<b>(1,336,227)</b>

## 23) Financial Instruments

All of the Company's financial assets are measured at amortised cost.

All of the Company's financial liabilities are measured at amortised cost except for foreign exchange contracts, warrants and preference shares which are measured at fair value.

### (a) Financial Risk Management Objectives

Exposure to credit, interest rate, foreign currency and liquidity risk arises in the normal course of the Company's business.

The Company does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

### (b) Capital Risk Management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, cash, cash equivalents, bank overdraft, RCPS and equity comprising of issued capital, share option reserve and retained earnings as disclosed in the notes.

The Company's Board of Directors reviews the capital structure on a regular basis. The Company has two financial covenants on its external borrowings with the Bank of New Zealand (BNZ). These relate to tangible asset ratios and earnings before interest and tax cover ratios. The Company has breached bank covenants at year end.

### (c) Market Risk

Market risk is the potential for change in the value of balance sheet positions caused by a change in the value, volatility or relationship between market risks and prices. Market risk arises from the mismatch between assets and liabilities. The Company's activities expose it primarily to market risk associated with changes in foreign currency rates and interest rates as set out below. The mechanisms to manage these risks are set out below. There have been no material changes in 2024 to the Company's exposure to risk or the manner in which the risks are measured or managed.

### (d) Interest Rate Risk

The Company is exposed to interest rate risk as from time to time it borrows funds at floating interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Investments at fixed interest rates expose the Company to fair value interest rate risk. The Company does not hedge this risk.

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk. The Company does not hedge this risk.

The Company's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

**(e) Foreign Exchange Risk**

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

In the course of normal trading activities, the Company undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The Company had USD forward exchange contracts at 31 December 2024 that are recorded as a liability of \$376,216 at year end (2023: asset of \$350,545).

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities excluding forward exchange contracts at the balance date are as follows:

	<b>Liabilities</b>		<b>Assets</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Euro	–	–	18,543	112
United States Dollar	2,887,059	1,531,074	6,679,685	5,892,490
Australian Dollar	123,026	–	71,934	36,969
Japanese Yen	–	–	90,981	92,460
	<b>3,010,085</b>	<b>1,531,074</b>	<b>6,861,143</b>	<b>6,022,031</b>

The table expresses the foreign currency amounts in New Zealand dollar equivalents using the exchange rate at 31 December 2024 and 31 December 2023.

**(f) Other Price Risk**

The Company is not exposed to substantial other price risk arising from financial instruments.

**(g) Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. The Company has adopted a policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposures with counterparties are monitored on a regular basis.

The Company does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics, except that all cash deposit balances are held with the BNZ and that in 2024 the Company's four largest customers accounted for 62% of total revenue (2023: 69%) and 72% of total accounts receivable (2023: 65%).

The maximum exposures to credit risk at balance date are:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	94,931	18,636
Accounts receivable	7,071,267	7,181,736
	<b>7,166,198</b>	<b>7,200,372</b>

In assessing the Company's exposure to credit risk it has applied the NZ IFRS 9 simplified approach to measuring expected credit losses. This requires an assessment of the risk characteristics applying to all trade receivables and where applicable, grouping them based on those characteristics and the days past due.

The nature of the Company's business, the markets in which it operates and its credit policies means that credit losses are irregular, however could be significant if they occur. For that reason the Company carries insurance against customer credit losses.

**(h) Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities using interest rates applying at year end.

The maturity profiles of the Company's interest bearing investments and borrowings are disclosed later in this note.

### Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial assets and financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial assets and financial liabilities including interest that will accrue to those assets or liabilities.

<b>Weighted Average Effective Interest Rate</b>		<b>Less than 1 Year</b>	<b>1-2 Years</b>	<b>3-5 Years</b>	<b>Later than 5 years</b>	<b>Total</b>
<b>2024</b>	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets:</b>						
Cash and cash equivalents	-	94,931	-	-	-	94,931
Accounts receivable	-	7,071,267	-	-	-	7,071,267
<b>Financial Liabilities:</b>						
Bank overdraft	7.4%	1,912,330	-	-	-	1,912,330
Accounts payable	-	10,150,296	-	-	-	10,150,296
Derivative financial instruments	-	376,216	-	-	-	376,216
Secured borrowings	-	25,785,720	-	-	-	25,785,720
Shareholder and Director advances	12.0%	3,513,712	-	-	-	3,513,712
Redeemable convertible preference shares	-	-	-	3,255,000	-	3,255,000
Lease liabilities	12.3%	1,014,470	1,709,159	2,303,144	9,143,324	14,170,097
<b>Net Position</b>		<b>(35,586,546)</b>	<b>(1,709,159)</b>	<b>(5,558,144)</b>	<b>(9,143,324)</b>	<b>(51,997,173)</b>

<b>Weighted Average Effective Interest Rate</b>		<b>Less than 1 Year</b>	<b>1-2 Years</b>	<b>3-5 Years</b>	<b>Later than 5 years</b>	<b>Total</b>
<b>2023</b>	<b>%</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets:</b>						
Cash and cash equivalents	-	18,636	-	-	-	18,636
Accounts receivable	-	7,532,281	-	-	-	7,532,281
<b>Financial Liabilities:</b>						
Bank overdraft	9.0%	1,806,095	-	-	-	1,806,095
Accounts payable	-	6,345,901	-	-	-	6,345,901
Secured borrowings	7.3%	4,831,930	25,410,687	-	-	30,242,617
Shareholder advance	12.0%	120,829	1,077,090	-	-	1,197,919
Redeemable convertible preference shares	-	-	-	7,000,000	-	7,000,000
Lease liabilities	12.4%	994,688	1,869,611	2,311,309	9,919,218	15,094,826
<b>Net Position</b>		<b>(6,548,526)</b>	<b>(28,357,388)</b>	<b>(9,311,309)</b>	<b>(9,919,218)</b>	<b>(54,136,441)</b>

As disclosed in note 10, the Company's secured bank loans are subject to various covenants. A breach of any of these covenants may require repayment of the related loan earlier than indicated in the above table.

**(i) Sensitivity**

The Company is exposed to foreign currency risk arising from transactions denominated in currencies other than the Company's functional currency, arising from normal trading activities.

The majority of foreign currency related exposure relates to accounts receivable. The Company is mainly exposed to the Euro, United States Dollar, Japanese Yen and Australian Dollar.

The exchange rates adopted in converting foreign currency denominated assets and liabilities at 31 December 2024 were as follows:

	<b>2024</b>	<b>2023</b>
Euro	0.5450	0.5700
United States Dollar	0.5634	0.6342
Australian Dollar	0.9100	0.9300
Japanese Yen	88.50	89.00

Foreign currency exchange rate sensitivity is calculated at balance date assuming that the bank balances and accounts receivable balances denominated in foreign currencies had been converted to New Zealand dollars at rates above.

If exchange rates had been 10% higher/lower at balance date and all other variables held constant, the Company's:

- Profit for the 2024 year would increase/decrease by \$129,397 (2023: Profit increase/decrease by \$81,962).
- Equity for the 2024 year would increase/decrease by \$129,397 (2023: Equity decrease/increase by \$81,962).

The Company is exposed to interest rate risk arising from unhedged interest bearing liabilities at balance date. The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For interest bearing liabilities, the analysis is prepared assuming the amount of liability outstanding at reporting date was outstanding for the whole year. A 1% increase or decrease is used to represent management's assessment of a reasonable possible change in interest rates.

Impact on net profit after tax and equity assumes that none of the floating interest rate borrowings were hedged.

	<b>2024</b>			<b>2023</b>
	1%	-1%	1%	-1%
Impact on net profit after tax and equity	(222,722)	222,722	(198,438)	198,438

## **(j) Classification and Fair Value of Financial Instruments**

### **(i) Financial assets**

#### **Classification**

The Company's derivative financial instruments are classified as measured at fair value through profit or loss.

All other financial assets; cash and cash equivalents and accounts receivable ("other financial assets") are classified at amortised cost.

#### **Fair value**

The Directors consider that the carrying amount of the financial assets recorded at amortised cost in the financial statements approximate their fair values.

The Company's derivative financial instruments are continuously measured at fair value and represent Level 2 fair value measurement, per the fair value hierarchy below.

### **(ii) Financial liabilities**

#### **Classification**

The Company's RCPS (refer note 11) are classified as measured at fair value through profit or loss.

All other financial liabilities; bank overdraft, accounts payable, secured borrowings and unsecured advances ("other financial liabilities"), are classified at amortised cost.

#### **Fair value**

The Directors consider that the carrying amount of those other financial liabilities approximate their fair values.

The Company's RCPS (refer note 11) are continuously measured at fair value and represent Level 3 fair value measurement, per the fair value hierarchy below:

Level 1: The fair value of financial instruments traded in active markets and is based therefore on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market are therefore determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

<b>2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2024</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	-	-	-
<b>Total assets</b>	-	-	-	-
<b>Financial liabilities</b>				
Redeemable convertible preference shares	-	-	(3,255,000)	(3,255,000)
Derivative financial instruments	-	(376,216)	-	(376,216)
<b>Total liabilities</b>	-	(376,216)	(3,255,000)	(3,631,216)
<b>Net fair value</b>	-	(376,216)	(3,255,000)	(3,631,216)
<b>2023</b>				
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2023</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	350,545	-	350,545
<b>Total assets</b>	-	350,545	-	350,545
<b>Financial liabilities</b>				
Redeemable convertible preference shares	-	-	(7,000,000)	(7,000,000)
<b>Total liabilities</b>	-	-	(7,000,000)	(7,000,000)
<b>Net fair value</b>	-	350,545	(7,000,000)	(6,649,455)

There were no transfers of these instruments between fair value measurement levels during the period.

**(k) RCPS Valuation Approach**

The fair valuation of the RCPS as at 31 December 2024 is based on the same value-in-use inputs applied in the impairment testing of non-financial assets (refer to note 25: Impairment of Non-financial Assets).

As a result of this assessment, the fair value of the RCPS has decreased by \$3.7 million from \$7.0 million as at 31 December 2023 to \$3.3 million as at 31 December 2024. The key drivers of this movement are consistent with those outlined in the impairment note, including revised cash flow forecasts, updated discount rates, and changes in strategic direction.

In determining the fair value in the current year, a range of valuation outcomes was derived from the RCPS calculation process. The range of RCPS values calculated was from \$0.08 to \$0.11. The valuation of RCPS's is judgmental, with the range of outcomes dependent on the variables applied. In evaluating what management considered to be the range of reasonably possible outcomes and the associated uncertainties, management concluded that it was appropriate to select inputs based on the mid-points of the key variables used in the model. Based on this, the selected valuation of \$0.093 per share was applied in determining the fair value for financial reporting purposes.

The valuation remains sensitive to changes in forecast assumptions and discount rates. A reasonably possible change in these inputs could result in a materially different fair value. Refer to sensitivity analysis in note 25: Impairment of Non-financial Assets.

The minimum and maximum valuation ranges determined by management were \$2.8 million to \$3.85 million.



## Lease Liabilities

Lease liabilities are presented in the statement of financial position as follows:

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Current	345,280	312,942
Non-current	5,594,439	5,845,254
	<b>5,939,719</b>	<b>6,158,196</b>

The Company has leases for three buildings, some plant and equipment and a motor vehicle. Each of these leases are reflected in the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (refer note 12).

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognised in the statement of financial position at 31 December 2024:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining terms	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Buildings	3	1.5 - 16.5 years	3	-	3	-
Plant and machinery	6	0.5 - 4.5 years	-	-	-	-
Motor Vehicles	1	-	-	-	-	-

The lease liabilities are secured by the related underlying assets. Future lease payments at 31 December 2024 were as follows:

	<b>Lease payments due</b>				
	<b>Within 1 year</b>	<b>1-2 years</b>	<b>3-5 years</b>	<b>After 5 years</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>31 December 2024</b>					
Lease payments	1,014,470	1,709,159	2,303,144	9,143,324	14,170,097
Finance charges	(669,190)	(1,363,772)	(1,957,841)	(4,239,575)	(8,230,378)
<b>Net present values</b>	<b>345,280</b>	<b>345,387</b>	<b>345,303</b>	<b>4,903,749</b>	<b>5,939,719</b>
<b>31 December 2023</b>					
Lease payments	994,688	1,869,611	2,311,309	9,919,218	15,094,826
Finance charges	(681,746)	(1,384,185)	(1,993,827)	(4,876,872)	(8,936,630)
<b>Net present values</b>	<b>312,942</b>	<b>485,426</b>	<b>317,482</b>	<b>5,042,346</b>	<b>6,158,196</b>

## 25) Impairment of Non-financial Assets:

### Key Judgement and Impairment Assessment:

As at 31 December 2024, the Company conducted an impairment assessment of its non-financial assets, including intangible assets and property, plant and equipment, in accordance with NZ IAS 36 Impairment of Assets. This assessment was prompted by a strategic review of the business and changes in expected future performance.

The recoverable amount of the relevant cash-generating unit was determined using a value-in-use approach, based on a discounted cash flow (DCF) model derived from management's forecasts of future financial performance. This valuation technique involves significant judgement and is subject to inherent estimation uncertainty, particularly in relation to:

- Forecasted cash flows;
- Discount rates applied; and
- Terminal growth assumptions.

Impairment assessments prepared using a discounted cash flow model are inherently judgemental, with the range of outcomes dependant on the variables applied. In evaluating what management considered to be the range of reasonably possible outcomes, and the associated uncertainties, management concluded that it was appropriate to select inputs based on the mid-points of the modelled variables. Based on this, the calculated impairment of \$8.0 million was applied to assets for financial reporting purposes.

Had management applied the lower or upper ranges of reasonably possible assessed outcomes, the calculated impairment would have been between \$3.8 million and \$11.0 million.

An impairment loss of \$8.0 million has been recognised in the statement of profit or loss for the year ended 31 December 2024. This impairment charge was initially applied to intangible assets with the balance applied to property, plant and equipment.

The valuation is highly sensitive to changes in key assumptions. A reasonably possible change in discount rate or forecast cash flows could result in a materially different recoverable amount. Management believes the assumptions used represent the best estimate of future performance at the reporting date.

**Impairment assessment summary:**

	<b>2024</b>	<b>2023</b>
	\$	\$
Recoverable amount	55,034,890	83,778,000
Carrying amount	63,028,980	62,722,221
(Impairment) / Headroom	(7,994,090)	21,055,779

**Key assumptions applied in undertaking, the above assessment:**

	<b>2024</b>	<b>2023</b>
Revenue growth rate - average	10.60%	10.00%
Pre tax discount rate	17.62%	16.99%
Terminal growth rate	2.00%	2.35%
Change in working capital %	20% of increase in revenue	20% of increase in revenue
Valuation model	Gordon Growth Model	EV/EBITDA Model
Forecast period	8 years	5 years

**Sensitivity Analysis**

The following table shows the amount by which two key assumptions would need to change by individually for the estimated recoverable amount to be equal to the carrying amount.

	<b>2024</b>	<b>2023</b>
Terminal growth rate – (reduce by) / increase by	4.21%	(4.10%)
Pre-tax discount rate – (reduce by) / increase by	(1.65%)	2.08%

## 26) EBITDA Reconciliation

### Reconciliation of net profit after taxation to EBITDA.

	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
Net (loss) / profit for the year	(7,720,371)	5,467,918
Taxation credit	(2,273,138)	(215,928)
<b>Net (loss) / profit before taxation</b>	<b>(9,993,509)</b>	<b>5,251,990</b>
<b>Add back:</b>		
Total Non-Trading items expense / (income)	6,091,874	(5,737,011)
Interest expense	2,582,039	1,589,113
Interest income	(7,826)	(7,863)
Depreciation and amortisation	3,526,290	3,064,101
<b>EBITDA</b>	<b>2,198,868</b>	<b>4,160,330</b>

# Statement of Corporate Governance.

The Directors are responsible for the Corporate Governance of the Company. The Corporate Governance processes set out in this statement outline the governance policies and practices followed by the Company.

## Financial Statements

The Directors are responsible for ensuring the financial statements materially reflect the financial position of the Company as at 31 December 2024 and its financial performance and cash flows for the year ended on that date.

The external auditors are responsible for expressing an opinion on the financial statements based on their assessment of the conclusions drawn from evidence obtained during the course of the audit.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

After reviewing internal management financial reports and budgets, the Directors believe that the Company will continue to be a going concern in the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements (refer to note 2 Going Concern).

## Board of Directors

The Board of Directors of PharmaZen Limited is elected by the shareholders to supervise the management of the Company. The Board establishes the Company's objectives, strategies for achieving these objectives, the overall policy framework within which the business of the Company is conducted and monitors management's performance to ensure that procedures are in place to provide effective internal financial control. The day-to-day management responsibilities of the Company have been delegated to the Managing Director.

The Directors have a diverse range of expertise and experience and are committed to use this to benefit the Company.

The primary responsibilities of the Board include:

- The approval of the annual financial report.
- The establishment of the long term goals of the Company and strategic plans to achieve those goals.
- Succession planning for the Managing Director and the Board.
- The review and adoption of annual budgets for the financial performance of the Company and monitoring the results on a regular basis.
- Monitoring environmental, social and economic performance.
- Ensuring that the Company has implemented adequate systems of internal controls including internal financial controls together with appropriate monitoring of compliance activities.
- Ensuring legislative compliance.
- Monitoring executive management.
- Communicating with stakeholders.

## Board Membership

At year end the Board comprised three non-executive Directors including the Chairman plus one executive Director. Six formal Board meetings plus regular operational meetings were held during the financial year.

## Code of Conduct

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct as part of a Directors' Operations Manual to guide Directors and management in carrying out their duties and responsibilities.

The Directors' Operations Manual covers such matters as:

- Corporate governance matters.
- Role of the Board and composition of the Board.
- Director responsibilities.
- Appointment of, responsibilities of and remuneration of a Managing Director.
- Confidentiality and the safeguarding of Company information.
- Compliance with laws and regulations.
- Stakeholder participation.
- Appointment of external auditors.
- Monitoring the external audit of the Company's affairs.
- Reviewing the annual financial statements.
- Reviewing the Company's internal controls and systems.

Newly elected Directors are required to familiarise themselves with and comply with the Directors' Operations Manual.

Training is also provided to new and existing Directors, where this is required, to enable Directors to fulfil their responsibilities.

## Conflicts of Interest

All Directors must disclose any specific and general interests which could be in conflict with their obligations to PharmaZen Limited.

## Directors' Operations

The Board receives reports from the external auditors concerning any matters which arise in connection with the performance of their role. The full Board also monitors the independence of the external auditors and reviews and approves any services provided by the auditors other than in their statutory role.

## Auditors

Grant Thornton and the current Lead Audit Partner were appointed to PharmaZen for the 2022 Annual report. PharmaZen acknowledges that PES 1 International Code of Ethics for Assurance Practitioners (New Zealand) requires the Engagement partner rotate every seven years.

Any non-audit work to be performed by Grant Thornton would be pre-approved by the Board and such services would not constitute prohibited non-audit services such as bookkeeping, payroll or legal advocacy. PharmaZen applies these safeguards to ensure the auditor's independence is uncompromised.

## Whistle Blowing

PharmaZen provides a framework for the protection of employees wishing to disclose serious wrongdoing as described in the Whistle Blower policy. Those affected are encouraged to voice with senior management or Directors any concern over ethical or irresponsible behaviour, even if not reaching the threshold of serious wrongdoing.

## Political Donations

PharmaZen does not make donations to political parties.

## Non-Financial Reporting

The Company has not adopted a formal environmental, social and governance (ESG) reporting framework at this time. The Company has an enterprise risk management framework in place to identify, quantify and monitor risks. The framework categorises the enterprise risks and sets out specific actions to effectively manage each risk. Management reviews this enterprise risk register. The Company's assessment of exposure to non-financial risks, including economic, environmental and social sustainability risks is incorporated within the enterprise risk management framework.

# Independent Auditor's Report

## To the Shareholders of PharmaZen Limited

### Report on the Audit of the Financial Statements

#### Adverse Opinion

We have audited the financial statements of PharmaZen Limited ('the Company') on pages 16 to 65, which comprise the statement of financial position as at 31 December 2024, and the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, the accompanying financial statements do not present fairly, the financial position of the Company as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board and IFRS Accounting Standards issued by the International Accounting Standards Board.

#### Basis for Adverse Opinion

As discussed in Note 2 of the financial statements, the Company has experienced challenging trading conditions. The Company incurred a net loss before tax of \$10.0m, had a working capital deficit of \$25.3m, and had a net cash outflow for the year of \$0.03m. In addition, the Company was not in compliance with its banking covenants at year end.

We also note that of the Company's bank debt, \$12.4m was due to mature in May 2025. These facilities have subsequently been extended to 31 July 2025.

Finally, on 2 May 2025, Cibus Oscar Limited, the holder of 35,000,000 redeemable convertible preference shares ('RCPS'), issued a notice to redeem and convert these shares into debt. While the value of the RCPS to be repaid will be determined by a valuation process that is yet to be completed, the terms of the debt are such that it is repayable on demand once the valuation is completed.

We assessed the above matters, in combination, have resulted in a particularly challenging liquidity environment. While the Company is taking action to resolve the situation, the success of these actions is not determinable at this stage. Given this, we have concluded that the Company is not a going concern at the date of signing our audit opinion. Therefore, the going concern basis of preparation for the financial statements is not appropriate.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants*

(including International Independence Standards) (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

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

### Information Other than the Financial Statements and Auditor's Report thereon

The Directors are responsible for the other information. The other information comprises the Company Directory, Year in Review, Chair's Report, Directors' Report, Directors' Responsibility Statement and the Statement of Corporate Governance.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the *Basis for Adverse Opinion* section above, we concluded that the Company's going concern basis of preparation of the financial statements was not appropriate. We therefore concluded that the other information is materially misstated to the extent they relate to disclosures that are affected by the Company's decision to prepare the financial statements on a going concern basis.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Adverse Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessments and the carrying value of assets</b></p> <p>As disclosed in Note 1, Material accounting policies, the Company undertakes an assessment of the carrying value of its assets, including intangible assets in accordance with NZ IAS 36 <i>Impairment of Assets</i> (IAS 36) where an indicator of impairment arises.</p> <p>As disclosed in Note 2, Going Concern, the Company has experienced challenging trading conditions and has incurred losses during the year. These factors are an indicator of impairment, and accordingly, management has undertaken an impairment test in the current year.</p> <p>Impairment assessments are a key audit matter due to the materiality of the assets, the risk of impairment, and the significant level of judgement applied in estimating future cash flows and other key assumptions in determining the recoverable amount of a cash generating unit ('CGU').</p> <p>To determine whether the carrying value of assets, including intangible assets, is reasonable, management performed an impairment assessment on a value-in-use ('VIU') basis. Management determined that the Company's operations represent a single CGU.</p>	<p>The procedures we performed to evaluate the impairment assessment, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>performed procedures to evaluate and challenge the Company's determination of CGUs. This included reviewing internal management reporting to assess the level at which the Company monitors performance, comparing to our knowledge of the Company's operations and reporting systems, and reconciling assets allocated to CGU to accounting records;</li> <li>obtained management expert's impairment assessment and value-in-use calculations;</li> <li>considered and challenged key assumptions, including cash flow projections, discount rate, and terminal growth rates. We engaged our internal valuation experts to assess the impairment test methodology's compliance with NZ IAS 36. This included evaluating the appropriateness of discount rate and terminal growth rate;</li> <li>compared the forecast cash flows used for the year ending 31 March 2026 to the Board-approved business plan and assessed the basis for cash flow forecasts beyond this period, including management's justification for long-term growth assumptions;</li> </ul>

Key audit matter	How our audit addressed the key audit matter
<p>Management engaged an external expert to assist them in preparing a discounted cashflow model. The Board approved budget for the year ending 31 December 2025 was combined with forecast cash flows for subsequent years to meet the requirements of NZ IAS 36 <i>Impairment of Assets</i>.</p> <p>The external expert adopted valuation assumptions and made adjustments to forecast cash flows in the impairment test based on their own judgements.</p> <p>The key assumptions in assessing the CGU's carrying value were as follows:</p> <ul style="list-style-type: none"> <li>• Cash flow projections;</li> <li>• The terminal growth rate; and</li> <li>• The discount rate.</li> </ul> <p>Following the completion of our audit procedures on the VIU model, the carrying values of assets were assessed to be impaired by \$8.0m.</p> <p>Refer to Note 25 in the financial statements for disclosures on the key assumptions and impairment assessments of the carrying value of assets.</p>	<ul style="list-style-type: none"> <li>• evaluated the historical accuracy of management's forecasting by comparing previous period budgets to actual outcomes to assess the accuracy of projections;</li> <li>• considered whether adjustments to input assumptions utilised in the VIU model were necessary, and appropriate, and calculated a range of plausible impairment assessment outcomes.</li> <li>• undertook sensitivity analysis including assessing the impact of changes in key assumptions, and evaluated whether the related disclosures highlight estimation uncertainty and potential impairment risk appropriately;</li> <li>• reviewed the disclosures in the financial statements to assess whether they were complete, accurate, and compliant with the requirements of NZ IAS 36, particularly in areas involving significant estimation and judgement.</li> </ul>
<p><b>Valuation of redeemable convertible preference shares (RCPS)</b></p> <p>The Company's financial liabilities include 35,000,000 redeemable convertible preference shares. The preference shares are classified as non-current liabilities and may be settled in cash in certain circumstances or may convert into a variable number of ordinary shares in the Company.</p> <p>The RCPS are carried at fair value through profit or loss and are revalued at each reporting date. This process includes the use of valuation techniques that may include market multiples, market prices and other unobservable inputs, and therefore, involve application of significant judgement.</p> <p>Management engaged an external expert to assist them in preparing a RCPS valuation.</p> <p>Given the above, we include the valuation of RCPS as a Key Audit Matter.</p> <p>Refer to Note 11 and Note 23 in the financial statements for disclosures on the key assumptions and the valuation assessments in determining the fair value of the RCPS.</p>	<p>The procedures we performed to evaluate the valuation of RCPS included the following:</p> <ul style="list-style-type: none"> <li>• examined the underlying agreement and analysed the key terms to ensure the instrument has been classified and accounted for appropriately</li> <li>• obtained management expert's valuation of the RCPS;</li> <li>• considered and challenged key valuation assumptions, including cash flow projections, market multiples, and market prices, and engaged our internal valuation experts to assess the valuation methodology's compliance with NZ IFRS 13 – <i>Fair Value Measurement</i>;</li> <li>• considered whether adjustments to inputs utilised in the valuation were necessary and appropriate, and calculated a plausible range of outcomes that the fair value could reasonably be based upon;</li> <li>• undertook sensitivity analysis including assessing the impact of changes in key assumptions, and evaluated whether the related disclosures highlight estimation uncertainty appropriately; and</li> <li>• reviewed the disclosures in the financial statements to assess whether they were complete and accurate, including assessing whether the RCPS are appropriately classified as non-current liabilities despite the post balance date redemption notice being issued.</li> </ul>

### **Report on Other Legal and Regulatory Requirements**

The Company has not complied with section 461(1) of the Financial Markets Conduct Act 2013 because it had not completed and filed its financial statements within four months of balance date.

### **Directors' responsibilities for the Financial Statements**

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and IFRS Accounting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the Audit of the Financial Statements**

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at : <https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-2>

### **Restriction on use of our report**

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

### **Grant Thornton New Zealand Audit Limited**



**Brayden Smith**

**Partner**

**Christchurch, New Zealand**

**5 June 2025**



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