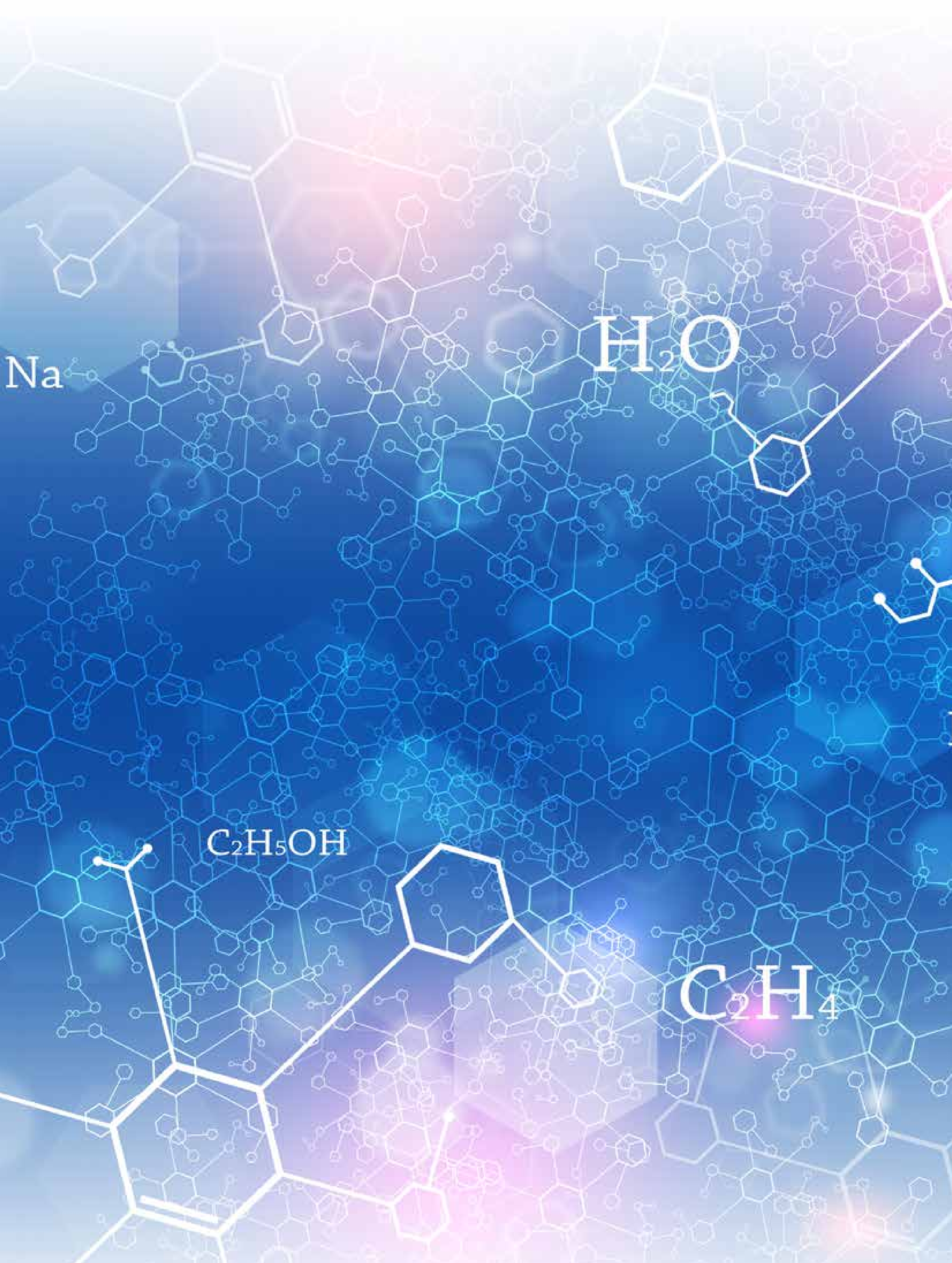
2021 Annual Report

syft™ Technologies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Chairman's Report

The past year has been a challenging one for Syft, but also one in which we have made major steps forward. We started the year under lockdown, and the Syft team rose to the occasion superbly, organising themselves to enable work to continue as effectively as possible. While there has been considerable disruption caused by COVID-19, particularly in our ability to travel and support our customers, our strategy of establishing global sales and support offices has held us in relatively good stead.

Following the last AGM, our then-CEO, Doug Hastie, resigned and I stepped in as Acting CEO while we found a replacement. We were presented with a strong field of candidates and were delighted to have Alex Fala accept the role beginning March 1, 2021. Alex's immediate priorities have been evaluating strategic options for the company and articulating that strategy to the staff and stakeholders.

Financials

From a business perspective, we again had a profitable year, and while overall reported revenue was down year-on-year, from $30.9m to $28.8m, the reduction in zero-margin, pass-through third-party revenue meant our product and services revenue actually increased by $2m year-on-year.

Consequently, Gross Margin on instruments increased from 46% to 55%, and total Gross Margin improved slightly over FY 2020.

Customers

As was mentioned at last year's AGM and in the 1st half interim report, we have had product problems with one of our major customers, and this has taken significant resource in the second half of the year. While this has been difficult, the product development team, both in Korea and New Zealand, have done a fantastic job of enhancing the product to meet the customer's expectations, and the sales team has done an outstanding job of maintaining the customer relationship throughout. As a result, we are now towards the end of that process, and we have a much stronger, more robust product to address the market needs.

In the 6-month interim report,we commented on our strategy to build a strong recurring revenue stream from our large install base through a service revenue model. Not only does this place more certainty and stability into our revenue growth, but most importantly ensures that customer support is at the forefront of our business, and underpins the provision of service and support teams in market. This initiative continues to gain momentum.

Team

The executive team has been further strengthened with the addition of two senior positions. Rose Smith joined in December last year as VP, Product Development, and Arnd Ingendoh joined in January as VP, Sales for Europe. Both Rose and Arnd bring strong experience and depth to the Syft executive team.

I believe we are now well positioned – we have a strong executive team, stronger products, better market understanding, better market reach, better geographical spread, and a strong sales pipeline.

The focus from the Board now is on ensuring that we have the people, processes and systems in place to support a truly global company.

New Building

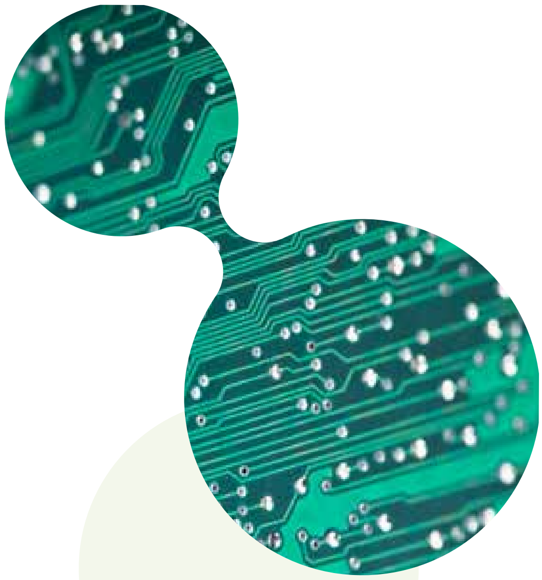
In June of this we will be completing our move into the new building in St Asaph St in Christchurch. This will finally enable the whole team to be under one roof. As part of the fit out, the new facility will have an ISO8 'cleanroom' environment for our development and manufacturing areas. While there is a large cost associated with this upgrade the benefit will be an increase in the stability and reproducibility of our products, reducing the cost to manufacture and alleviating many of the inherent issues in the older buildings, such as limited space and dust. The team, led by Joel Philps and Frazer Attrill, have done a superb job of project managing the move, and the team is excited to be finally together.

Governance

With respect to Governance, at our last AGM, the Board was relatively newly established with the addition during the previous year of Kate McGrath, Jeff McDowall, and me. The Board is now more settled, with an ongoing focus on ensuring good governance practices. In the last year we have initiated and reviewed the risk management framework, conducted a cyber security and IT review, reviewed our delegated authorities, Treasury and anti-bribery and corruption policies, instituted a remuneration policy and our crisis management was well tested in responding to the COVID-19 pandemic, with particular focus on health & safety.

I would like to sincerely thank the Board, Jeff, Michael, Kate and Desh, for their support throughout the past year. I would also like to thank Alex and the senior team, the scientists and all of sales, production, product development, and finance and administration staff, who have shown great resilience this year. With the many disruptions of COVID-19, changes in CEO, the move in buildings, and the demands of product improvement, it has been a challenging year. However, I believe we are now well positioned – we have a strong executive team, stronger products, better market understanding, better market reach, better geographical spread, and a strong sales pipeline.

Al Monro
Chairman



CEO's Report

I am delighted to present my first annual report as CEO of Syft Technologies.

Quoting our Chairman's report from last year, Syft is a "tremendous example of New Zealand's ability to produce successful global technology businesses". This is why I was excited to join the company, and am driven to ensure it reaches it's potential.

It is clear that the past year has been a challenging one for Syft. After three years of strong revenue growth, I expect that shareholders will be disappointed with the flat result.

The COVID-19 pandemic has had an impact on results, as it has inhibited the company's ability to support our customers, implement, and develop new relationships.

The bigger driver however has been a case of growing pains. Syft's delivery capabilities and internal systems have strained to keep pace with customer demands and global expansion. This is not unusual in a period of rapid growth but does require a period of consolidation to create the launchpad for future growth. We are well on the road to resolving many of these issues, but there is much work yet to be done.

Operating priorities

Syft's priority for the year from a customer perspective has been supporting Micron – one of our large Semiconductor customers. This relationship delivered material revenue in the prior year. However, there were initial product problems and the company has put significant effort this year into solving them (without material incremental revenue). This included significant enhancements to our Infinity product (launched late last year) as well as many hours on site, on video calls and in quarantine for our customer facing teams.

At the time of writing, this relationship is back on a positive footing, and the customer has begun to place additional orders. I would like to thank the many people at Team Syft for their dedication to delivering for Micron and all of our customers.

The second major operating focus has been the shift in our production facilities to the St Asaph site. We are on track to have these facilities up and running by the end of June 2021. This will also mean that our entire NZ-based team will be in the same location for the first time in four years. The shift to the new facility will be an inflection point for operating practises, collaboration across teams, and company culture.

People and capability

There are now 130 people in the team at Syft, spread across offices (and timezones) in New Zealand, Korea, USA, Germany, Singapore and Taiwan. We have a highly talented team, with more than 20 people holding doctorates and many others with advanced degrees in chemistry and engineering.

Over the year, we complemented this talent with new leadership. Damien Fischer (US), Reid Poole (Semiconductor), and Arnd Ingendoh (Europe) joined Jihoon Lee (Asia) in driving our commercial operations. They bring considerable experience developing markets for analytical instruments across a range of end customer industries and countries. Rose Smith joined us in December and has had an immediate impact on the effectiveness of our product development. We are currently hiring for a new leader of our Production team. This is a new executive team, but one that is coming together very well.

I can attest to the fact that Syft is an exciting career opportunity, and we expect to attract more top talent over time. In the near term though, our emphasis will shift to evolving and building out the necessary management systems to operate effectively at scale across the globe. We are creating an environment that encourages our people to take ownership while having sufficient connective tissue to work effectively as one Syft team.

Outlook and future strategy

We are cautiously optimistic about the outlook for FY22. The shift to our new facility will be completed. The Micron relationship is stabilising. We have a strong order book, and a range of opportunities in the pipeline. Travel is opening up, allowing for us to continue our success in Asia and capitalise on our investments in the US and Europe.

Longer term, Syft is well positioned. The foundation is a genuinely differentiated product. Traditional methods of gas analysis require significant time and highly trained people to operate, which has constrained their application to laboratory environments. Syft's ability to deliver analysis in real time delivers major productivity improvements in the lab, and makes trace gas analysis possible outside the lab.

We have expanded our product capabilities from measuring organic compounds only, to also measuring inorganic compounds, and now delivering parts-per-trillion level accuracy with our Infinity product. No other company is credibly able to deliver this speed, range and accuracy in one instrument.

These fundamentals have been critical to our success in the semiconductor industry. Demand for faster and smaller chips leads to higher production standards, which requires faster detection of a wider range of contaminants. Syft can become the 'gold standard' in the industry, which is poised for strong growth. The automotive industry ground to a halt this year due to a shortage of chips, indicative of the underlying demand in the industry. Major manufacturers such as TSMC and Intel have announced multi billion dollar programmes to expand capacity.

Syft's core product capabilities are a good fit for many other applications in environmental and manufacturing markets. In coming months, we will lay out a strategy to fully capitalise on our positions, and develop the next opportunities for growth. The underlying philosophy will be the search for scalable opportunities - large markets where we can deliver a consistent product and execute a consistent go-to-market machine. This is the key to growing in an efficient and sustainable manner.

Alex Fala
Chief Executive Officer

Directors' Report

The Directors are responsible for ensuring that the financial statements give a true and fair view of the consolidated balance sheet of the Company and the Group as at 31 March 2021 and their consolidated income statement and consolidated cash flows for the year ended on that date.

The Directors consider that the consolidated financial statements of the Company and the Group have been prepared using the 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 the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act.

The Directors consider they have taken adequate steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors have pleasure in presenting the financial statements set out in pages 10-41 of Syft Technologies Limited and subsidiaries for the year 1 April 2020 to 31 March 2021.

The Board of Directors of Syft Technologies Limited and subsidiaries authorised these financial statements for issue on 24 May 2021.

Donations

No donations were made in the current year.

Auditor

It is proposed that the auditor, PricewaterhouseCoopers, is appointed in accordance with section 196(1) of the Companies Act 1993.

Other statutory information

Additional information required by the Companies Act 1993 is set out in Shareholder information.

On behalf of the Directors

Al Monro
Chairman

Michael Bushell
Non-Executive Director

CONSOLIDATED
Income Statement

For the year ended 31 March 2021

	Note	2021 ($000)	2020 ($000)
Operating revenue			
Revenue from contracts with customers for sales at a point in time		27,306	29,034
Revenue from contracts with customers for services over time		1,219	1,538
Instrument rental revenue		262	292
Total operating revenue		**28,787**	**30,864**
Cost of sales		15,673	17,991
Gross profit		**13,114**	**12,873**
Other income			
Other income	2	1,360	777
Total other income		**1,360**	**777**
Administration expenses		3,012	3,038
Other operating expenses	3	3,424	2,993
Sales & marketing costs	3	4,115	3,952
Research costs	3	2,450	2,405
Finance costs		274	51
Total expenses		**13,275**	**12,439**
Profit before income tax		**1,199**	**1,211**
Income tax expense	5	276	406
Profit after income tax attributable to equity holders of the Group		**923**	**805**
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents)	19	1.30	1.13
Diluted earnings per share (cents)	19	1.26	1.09

The above consolidated statements should be read in conjunction with the accompanying notes on pages 16 to 41.

CONSOLIDATED
Statement of Comprehensive Income

For the year ended 31 March 2021

	2021 ($000)	2020 ($000)
Profit for the year	**923**	**805**
Other comprehensive income		
Losses on translation of foreign operations	(53)	(134)
Other comprehensive income, net of tax	**(53)**	**(134)**
Total comprehensive income for the year	**870**	**671**

CONSOLIDATED
Statement of Changes in Equity

For the year ended 31 March 2021

	Note	Share capital ($000)	Employee equity benefit reserve ($000)	Foreign currency translation reserve ($000)	Retained earnings/ (deficits) ($000)	Total equity ($000)
Balance at 31 March 2019		**37,091**	**785**	**480**	**(18,408)**	**19,948**
Profit for the year		-	-	-	805	805
Other comprehensive income	17	-	-	(134)	-	(134)
Total comprehensive income for the year				**(134)**	**805**	**671**
Impact of changes in accounting policies		-	-	-	(128)	(128)
Shares issued	16	45	(10)	-	-	35
Share based payments	17	-	98	-	-	98
Forfeited restricted shares	17	-	(16)	-	16	-
Balance at 31 March 2020		**37,136**	**857**	**346**	**(17,715)**	**20,624**
Profit for the year		-	-	-	923	923
Other comprehensive income	17	-	-	(53)	-	(53)
Total comprehensive income for the year				**(53)**	**923**	**870**
Shares issued	16,17	40	(3)	-	-	37
Share based payments	17	-	47	-	-	47
Forfeited restricted shares	17	-	(193)	-	-	(193)
Balance at 31 March 2021		**37,176**	**708**	**293**	**(16,792)**	**21,385**

The above consolidated statements should be read in conjunction with the accompanying notes on pages 16 to 41.

CONSOLIDATED
Balance Sheet

As at 31 March 2021

	Note	2021 ($000)	2020 ($000)
Current assets			
Cash and cash equivalents	6	1,573	4,464
Trade and other receivables	7	2,398	4,940
Inventories	8	7,629	7,445
GST receivable		376	181
Total current assets		**11,976**	**17,030**
Non current assets			
Property, plant and equipment	9	9,071	4,982
Intangible assets	10	4,006	2,428
Right of use assets	11	14,051	631
Deferred tax asset	5	1,542	1,544
Total non current assets		**28,670**	**9,585**
Total assets		**40,646**	**26,615**
Current liabilities			
Trade and other payables	12	4,265	4,360
Current lease liabilities	11	531	369
Current tax liabilities		130	214
Provisions	13	693	554
Derivative liabilities	15	-	202
Total current liabilities		**5,619**	**5,699**
Non current liabilities			
Non current lease liabilities	11	13,642	292
Total non current liabilities		**13,642**	**292**
Total liabilities		**19,261**	**5,991**
Total net assets		**21,385**	**20,624**
Equity			
Share capital	16	37,176	37,136
Retained earnings/(deficits)		(16,792)	(17,715)
Reserves	17	1,001	1,203
Total equity attributable to equity holders of the Group		**21,385**	**20,624**

On behalf of the Board

Al Monro - Chairman
24 May 2021

Michael Bushell - Non-Executive Director
24 May 20201

The above consolidated statements should be read in conjunction with the accompanying notes on pages 16 to 41.

CONSOLIDATED

Cashflow Statement

For the year ended 31 March 2021

	Note	2021 ($000)	2020 ($000)
Cash flows from/(used in) operating activities			
Receipts from customers		30,725	37,088
Interest paid		(211)	(35)
Grants received		1,450	576
Tax payments		(540)	(309)
Payments to suppliers and employees		(26,478)	(30,372)
Net cash flows from operating activities	**20**	**4,946**	**6,948**
Cash flows from/(used in) investing activities			
Payment of security deposit		-	(52)
Sale of fixed assets		12	2
Purchase of fixed assets		(4,952)	(2,610)
Purchase of intangible assets		(2,245)	(1,775)
Net cash flows used in investing activities		**(7,185)**	**(4,435)**
Cash flows from/(used in) financing activities			
Proceeds from shares issued		37	35
Principal elements of lease payments		(689)	(465)
Net cash flows used in financing activities		**(652)**	**(430)**
Net increase/(decrease) in cash and cash equivalents		**(2,891)**	**2,083**
Cash and cash equivalents at the beginning of the year		4,464	2,381
Cash and cash equivalents at the end of the year	**6**	**1,573**	**4,464**

The above consolidated statements should be read in conjunction with the accompanying notes on pages 16 to 41.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Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements presented are those of Syft Technologies Limited (the "Company") and its subsidiaries (the "Group"). The Company is domiciled in New Zealand and is a profit orientated entity registered under the Companies Act 1993. The Group's principal activities include researching, developing, refining and producing the Selected Ion-Flow Tube technology, and the marketing and sale of the applications and solutions associated with using the technology.

The Company is an issuer on the unlisted stock exchange, and the Group financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013.

The financial statements were authorised for issue by the Directors on 24 May 2021.

b) Basis of preparation

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS). The financial statements have been prepared on a historical cost basis, except for the fair value of certain balances.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

c) Significant changes

On 22nd February 2021, Syft Technologies Taiwan Limited became a registered company in Taiwan, 100% wholly owned by Syft Technologies Limited. The financial effects of this transaction are reflected in the operating results and assets and liabilities of the Group accounts from the date of registration.

d) New and amended standards adopted by the Group

The Group has applied the amendments to NZ IAS 1 and NZ IAS 8 – definition of material for the first time for the reporting period commencing 1 April 2020. This amendment does not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

e) New standards and interpretations not yet adopted

A number of new standards have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group's current or future reporting periods.

f) Basis of consolidation

The consolidated financial statements comprise the financial statements of Syft Technologies Limited and its subsidiaries (refer to note 14) as at 31 March each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity. All entities in the Group are wholly owned by the Company and therefore fully controlled by the Company.

All intercompany transactions are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

g) Foreign currency translation

Functional and presentation currency
Transactions included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, being the functional currency. The consolidated financial statements are presented in New Zealand Dollars ($), being the Company's functional and presentation currency. All foreign transactions are translated to the presentation currency (see below).

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities held in a foreign currency at year end exchange rates, are generally recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Translation of the Group companies' functional currency to presentation currency
The results of the foreign subsidiaries are translated into New Zealand Dollars using the average exchange rate for the year. Assets and liabilities are translated at exchange rates prevailing at balance date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity. On consolidation, exchange differences arising from the translation of the net investment in the foreign subsidiaries are taken to the foreign currency translation reserve. If the foreign subsidiaries were sold, the proportionate share of exchange differences would be transferred out of equity and recognised

in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

h) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other various factors management believe to be reasonable under the circumstances. Because judgement is applied, actual results may differ from these estimates. Estimates and assumptions are reviewed periodically, and the effects of any changes are reflected in the income statement.

The following provides an overview of the areas that involved a higher degree of judgement or complexity, and items which are more likely to be materially adjusted due to estimates and assumptions turning out to be incorrect. Detailed information about each of these estimates and judgements is included in the policies below and in further notes.

The areas involving significant estimates or judgements are:

- Leases (refer to note 11)
- Warranty and extended warranty provisions (refer to note 13)
- Employee share scheme (refer to note 18)

i) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the Group, has been identified as the CEO.

The Group currently operates as one reportable segment and discrete financial information is not provided on a geographical or product basis. The operating results are reviewed at a Group level.

j) Business combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a business comprises the fair value of the assets and liabilities transferred.

Identifiable assets acquired and liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition related costs are expensed as incurred.

The excess of the consideration transferred, and the fair value of the net identifiable assets acquired is recorded as goodwill.

k) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue for the sale of goods is recognised at a point in time when a commercial invoice is raised in accordance with the shipment terms as per the customer contract.

No element of financing is deemed present as sales are made with a credit term of 30 days, which is consistent with market practice. The Group's obligation to repair or replace faulty or defect products under standard warranty terms is recognised under the warranty provision, refer to note 13. A receivable is recognised in line with the shipping terms, as this is the point in time that control is transferred to the customer.

Some contracts include multiple deliverables, such as the sale of goods and related site performance testing. However, the customer still obtains benefit from the sale of the goods and the performance testing is therefore accounted for as a separate performance obligation. Where the contract includes multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling price. Where this is not directly observable, it is estimated based on the residual approach. If a contract includes performance criteria, revenue for the goods are recognised at a point in time when they are delivered, the legal title has passed in accordance with shipping terms as outlined above.

Rendering of services

Revenue from services is derived through installation, support, maintenance and training under both fixed and variable contracts and is recognised in the period in which the services are rendered. For fixed-price contracts, revenue is recognised on a straight-line basis over the period of the contract.

Rental revenue

Rental revenue is accounted for on a straight-line basis over the term of the agreement.

Interest revenue
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Principal arrangements
The Group holds arrangements in which it acts as the principal. The following factors have been used by the Group in distinguishing whether it acts as the principal in specific arrangements:

- Primary responsibility for fulfilling the promise to provide the goods or services to the end customer.
- Inventory risk before goods are transferred to the end customer.
- The discretion to establish the price of goods and services above.

l) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income in the period in which it becomes receivable.

m) Income tax

Current tax
The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred income tax is provided in full, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the consolidated income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity.

n) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise of cash at bank and in hand and bank overdrafts. Utilised bank overdrafts are shown within current liabilities in the balance sheet.

o) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The Group applies NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets, see note 15 for further details. Related party receivables are mainly trade in nature and are on terms consistent with external customers.

p) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials and manufactured parts – cost of purchase comprises the purchase price of raw materials and manufactured parts on a First In First Out ("FIFO") method, and appropriate proportion of the variable and fixed overhead expenditure, which are assigned on a standard cost basis. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and work in progress – costs comprise of direct materials, direct labour and appropriate proportion of the variable and fixed overhead expenditure, which are assigned on a standard cost basis. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

q) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

r) Property, plant and equipment

All items of property, plant and equipment are stated at historical cost, including costs directly attributable to bringing the asset to its working condition, less accumulated depreciation and impairment of the asset.

Any expenditure that increases the economic benefits derived from an asset is capitalised. Expenditure on repairs and maintenance that does not increase the economic benefit is expensed in the period it occurs.

Depreciation

Depreciation for the Group is calculated on a Diminishing Value (DV) or Straight-Line (SL) basis at the following rates:

• Plant and equipment	3 - 20 years
• Office equipment	3 - 20 years
• Furniture and fittings	4 - 20 years
• Leasehold improvements	3 - 20 years
• Motor vehicles	5 - 8 years
• Demo units	7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at the end of each annual reporting period.

Disposal

An item of property, plant and equipment is disposed of when no further future economic benefits are expected from its use.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period the asset is derecognised.

s) Intangible assets

Research and development costs

Research expenditure is recognised in the period in which it is incurred. Development costs relate to the design, construction and testing of a selected alternative for new or improved materials, devices, processes and services which have been deemed saleable to the customer. Development costs are capitalised as internally generated intangible assets if all of the following are demonstrated:

i. The technical feasibility of completing the intangible asset so that it will be available for use or sale;

ii. The intention to complete the intangible asset and use or sell it;

iii. The ability to use or sell the intangible asset;

iv. The ability to demonstrate how the intangible asset will generate probable future economic benefits;

v. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

vi. The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Directly attributable costs that are capitalised as part of the development include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research and development expenditure that do not meet the criteria (i-vi) above are recognised as an expense as incurred. Costs associated with research have been expensed as they relate to activities to obtain new knowledge and find new applications and solutions for our customers. These costs have been capitalised when the technical feasibility and functionality as a complete solution is evidently known.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software costs

All externally purchased software is recorded at cost less accumulated amortisation and impairment. Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the criteria i) – vi) outlined in research and development costs above, are met.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. It is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Other intangible assets

Externally purchased intangible assets are recorded at cost less accumulated amortisation and impairment.

Amortisation

Amortisation for the Group is calculated on a diminishing value basis, apart from development costs which are on a straight-line basis over the estimated useful life of the asset as follows:

• Software costs	3 - 4 years
• Development costs	7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at the end of each annual reporting period.

t) Leases

Group as a lessee

The Group calculates their right of use asset as the present value of all lease payments, plus any restoration costs, deposits, and other direct costs, discounted to their present value using the lessee's incremental borrowing rate at the date of lease inception. The associated lease liability is calculated as the present value of all lease payments yet to be made.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease life so as to produce a constant periodic rate of interest on the remaining balance of the liability each period. The asset is depreciated on a straight-line basis over the life of the lease.

Payments relating to short term leases of equipment and office locations, and all low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are those with a lease term of less than 12 months. Low value assets comprise of office equipment.

The lease liability is reassessed when there are changes to the lease circumstances. and adjusted against the right of use asset.

Group as a lessor

A lease is classified as a Finance lease when substantially all of the risks and rewards pass to the lessee. To determine this the following conditions are met, either individually or in combination:

a. Transfers ownership
b. There is an option to purchase the asset at the end of the lease, and it is probable the option will be exercised
c. The lease term is for a major part of the economic life of the asset
d. At inception date, the present value of the lease payments amounts to substantially all of the fair value
e. The asset is of a specialized nature, that only the lessee can use it
f. The lessee has the ability to continue the lease for a secondary period, at a rate substantially lower than market rent

For those leases which are classified as a Finance lease, a lease receivable is recognised for the present value of all lease payments expected to be received over the life of the lease. Leases that do not meet any of the above conditions are classified as an operating lease and income is recognised on a straight line over the life of the lease.

u) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are subject to impairment. If any such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill and any other intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

v) Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The Company has provided the key employees with a non-recourse, interest free loan to assist them in participating in the employee share scheme (see note 18).

w) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is due greater than 12 months from reporting date.

x) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at balance date. When the Group expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

y) Employee benefits

A provision is recognised for benefits accruing to employees in respect of annual leave and short term incentives when it is probable that settlement will be required, and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within twelve months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Pension obligations
The Group operates a defined contribution plan in South Korea. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due, and any prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments in available.

z) Share-based payment transactions

Equity settled transaction:
The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

During the year, there were two plans the Chief Executive Share Scheme (CESS) and the Employee Share Option Scheme (ESOS).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

i. the grant date fair value of the award;
ii. the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
iii. the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

aa) Financial liabilities and equity instruments issued by the Group

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Bank overdrafts are repayable on demand and are included in current liabilities in the balance sheet and as a function of financial liabilities are measured at cost and included as a component of cash and cash equivalents in the statement of cash flows. At balance date the overdraft facility was undrawn.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

ab) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

ac) Earnings per share

i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares outstanding during the financial year.

ii) Diluted earnings per share
Diluted earnings per share takes in to consideration the issuance of restricted shares under the employee share scheme. There are no changes in income or expenses that would result from the conversion of diluted ordinary shares and therefore the profit used under this calculation is consistent with basic earnings per share.

ad) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. The following terms are used in the statement of cash flows;

- operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities;
- investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and
- financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

2. OTHER INCOME

	2021 ($000)	2020 ($000)
Interest income	2	4
Other income	20	67
Callaghan grant	511	457
NZTE funding	176	127
Government wage subsidies	651	122
	1,360	**777**

3. EXPENSES

Other operating expenses include:	Note	2021 ($000)	2020 ($000)
Amortisation	10	579	247
Depreciation	9, 11	1,231	1,040
Repairs & Maintenance		42	-
Impairment of assets		170	-
Employee share scheme	17	(147)	98
Occupancy costs		180	181
Professional service fees		716	594
Net foreign exchange losses		507	723
Other expenses		146	110
		3,424	**2,993**

Sales & marketing costs		
Sales salaries	3,255	2,606
Marketing costs	487	582
Other sales & marketing expenses	373	764
	4,115	**3,952**

Research costs		
Research salaries	1,897	1,847
Research parts	180	91
Other research expenses	373	467
	2,450	**2,405**

During the year, $2,456k of development costs and $492k of depreciation charges were capitalised. Therefore the above cost of $2,450k represents only the Group's research expense for the year (2020: $2,405k).

3. EXPENSES CONTINUED

Employee benefits expense		2021 ($000)	2020 ($000)
Salaries and wages		9,925	7,505
Employee share scheme	17	(147)	98
Employment benefit obligations		119	70
		9,897	**7,673**

The above salaries and wages balance includes $4.8m of expense relating to production and support staff which are included in Cost of Sales, and administration salaries reported in Administration expenses.

4. AUDITORS REMUNERATION

The auditor of Syft Technologies Limited is Pricewaterhouse Coopers (PwC NZ) (2020: PwC NZ).

	2021 ($000)	2020 ($000)
Amounts paid or due to PwC NZ for:		
Audit of financial statements of the Group	130	116
Prior year under accrual of audit fees	11	23
Review of Callaghan Growth Grant	-	6
	141	**145**
Non audit related services:		
Tax compliance	13	65
Tax advice - monthly help desk, fund repatriation options	34	24
Scrutineer fees	7	-
	54	**89**

Current year audit fees above include disbursements of $6k (2020: $7k).

In addition to the above, $7.6k of audit fees were incurred from Bestar Singapore for the audit of the financial statements of Syft Technologies Singapore Pte Ltd. Of this $3.8k relates to the under accrual of prior year audit fees.

5. TAXATION

a) Income tax expense

The numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate.

	2021 ($000)	2020 ($000)
Accounting profit before tax from continuing operations	1,199	1,211
At the Group's statutory income tax rate of 28%	336	339
Other permanent adjustments	(27)	45
Adjustments due to different rate in different jurisdictions	(38)	(28)
Prior period adjustment	5	84
Adjustment for changes in accounting policies	-	(34)
Aggregate income tax expense	**276**	**406**

	2021 ($000)	2020 ($000)
Made up of:		
Current tax expense	274	252
Deferred tax expense	2	154
Tax losses available to carry forward	4,050	3,760
Opening balance on carried forward losses	1,053	1,401
Prior period adjustment	22	(71)
Tax losses recognised	404	-
Tax losses utilised	(509)	(277)
Closing balance of carried forward losses	**(970)**	**1,053**
Deferred tax asset recognised	(970)	(1,053)
Unrecognised losses carried forward	**-**	**-**

b) Deferred tax assets

	2021 ($000)	2020 ($000)
Deferred tax asset		
Provisions	355	296
Deferred research and development expenditure	181	181
Right of use asset	(3,902)	(110)
Lease liability	3,938	124
Tax losses	970	1,053
Total deferred tax asset	**1,542**	**1,544**

6. CASH AND CASH EQUIVALENTS

	2021 ($000)	2020 ($000)
Cash at bank and in hand	1,573	4,464
	1,573	**4,464**

7. TRADE AND OTHER RECEIVABLES

	2021 ($000)	2020 ($000)
Trade receivables	1,391	4,514
Expected credit loss allowance	(30)	(69)
Prepaid expenses	623	175
Other receivables	414	320
	2,398	**4,940**

7. TRADE AND OTHER RECEIVABLES CONTINUED

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are initially recognised at the amount of consideration that is unconditional unless they contain significant financing components, then they are recognised at fair value. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Fair values of trade receivables

Due to the short term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Impairment and risk exposure

During the year no trade receivables were written down as uncollectable (2020: $470k).

The maximum exposure to credit risk is the fair value of receivables, less those covered under the trade credit insurance policy.

For further information on the impairment of trade receivables and the Group's exposure to credit risk, foreign currency risk and interest rate risk refer to note 15.

Aging

The aging of trade receivables at balance date are as follows:

	2021 ($000)	2020 ($000)
0–30 days	943	3,841
31-60 days	69	47
61-90 days	-	22
91 days +	379	604
	1,391	**4,514**

Past due and impaired

Of the 91 days+ balance, $30k has been provided for within the expected credit loss allowance and the remainder have extended payment terms.

8. INVENTORIES

	2021 ($000)	2020 ($000)
Raw materials	1,416	1,277
Work in progress	3,539	5,112
Finished goods	2,738	1,056
Inventory provision	(64)	-
	7,629	**7,445**

During the year the Group wrote down $98k of damaged or obsolete stock. In addition a provision was raised for $64k to provide for estimated future costs associated with inventory on hand (2020: $93k write down).

9. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the period:

	Plant and equipment ($000)	Office equipment ($000)	Furniture and fittings ($000)	Leasehold improve-ments ($000)	Motor vehicles ($000)	Demo units ($000)	Total ($000)
Gross carrying amount							
Balance at 31 March 2019	**447**	**420**	**152**	**452**	**302**	**2,389**	**4,162**
Additions	1,235	147	5	226	8	1,197	2,818
Disposals	-	(6)	-	-	(3)	(106)	(115)
Effects of movements in exchange rates	1	-	4	12	6	34	57
Balance at 31 March 2020	**1,683**	**561**	**161**	**690**	**313**	**3,514**	**6,922**
Additions	915	332	180	3,393	41	897	5,758
Disposals	(185)	(18)	-	(116)	(51)	(205)	(575)
Impairment	(34)	-	-	(48)	-	-	(82)
Effects of movements in exchange rates	(12)	(3)	-	(29)	(18)	(25)	(87)
Balance at 31 March 2021	**2,367**	**872**	**341**	**3,890**	**285**	**4,181**	**11,936**
Accumulated depreciation							
Balance at 31 March 2019	**(191)**	**(268)**	**(45)**	**(111)**	**(38)**	**(498)**	**(1,151)**
Depreciation charge	(145)	(115)	(19)	(85)	(48)	(406)	(818)
Disposals	-	6	-	-	3	20	29
Balance at 31 March 2020	**(336)**	**(377)**	**(64)**	**(196)**	**(83)**	**(884)**	**(1,940)**
Depreciation charge	(286)	(103)	(20)	(123)	(58)	(523)	(1,113)
Disposals	1	17	-	39	22	109	188
Balance at 31 March 2021	**(621)**	**(463)**	**(84)**	**(280)**	**(119)**	**(1,298)**	**(2,865)**
Net book value							
As at 31 March 2020	**1,347**	**184**	**97**	**494**	**230**	**2,630**	**4,982**
As at 31 March 2021	**1,746**	**409**	**257**	**3,610**	**166**	**2,883**	**9,071**

10. INTANGIBLE ASSETS

Reconciliation of carrying amounts at the beginning and end of the period:

	Software ($000)	Patents ($000)	Trademarks ($000)	Development costs ($000)	Other intangible assets ($000)	Goodwill ($000)	Total ($000)
Gross carrying amount							
Balance at 31 March 2019	**544**	**400**	**73**	**680**			**1,697**
Additions	143	-	-	1,681	107	119	2,050
Disposals	-	-	-	(2)	-	-	(2)
Transfers	-	-	-	(273)	-	-	(273)
Balance at 31 March 2020	**687**	**400**	**73**	**2,086**	**107**	**119**	**3,472**
Additions	22	-	-	2,225	-	-	2,247
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	(88)	-	-	(88)
Effects of movements in exchange rates	(2)	-	-	-	-	-	(2)
Balance at 31 March 2021	**707**	**400**	**73**	**4,223**	**107**	**119**	**5,629**
Accumulated amortisation							
Balance at 31 March 2019	**(324)**	**(400)**	**(73)**	**-**	**-**	**-**	**(797)**
Amortisation charge	(121)	-	-	(113)	(13)	-	(247)
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2020	**(445)**	**(400)**	**(73)**	**(113)**	**(13)**	**-**	**(1,044)**
Amortisation charge	(115)	-	-	(444)	(20)	-	(579)
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2021	**(560)**	**(400)**	**(73)**	**(557)**	**(33)**	**-**	**(1,623)**
Net book value							
As at 31 March 2020	**242**	**-**	**-**	**1,973**	**94**	**119**	**2,428**
As at 31 March 2021	**147**	**-**	**-**	**3,666**	**74**	**119**	**4,006**

Other intangible assets relate to externally purchased intellectual property.

Impairment of Goodwill

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill has been assessed for impairment as at 31 March 2021, and no impairment was noted (2020: nil).

11. LEASES

Leases

This note provides information for leases where the Group is a lessee.

i) The Group's leasing activities

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

Significant estimates and judgements were made in calculating the right of use asset and the related lease liability, specifically relating to determining the incremental borrowing rate (IBR) of all leases and the lease term of the St Asaph street lease in New Zealand. In order to calculate the IBR, the Group has used third-party country specific finance interest rates adjusted for the lease term, currency and security. Rights to renewal as per the New Zealand lease agreement have been deemed reasonably certain to be exercised, and therefore a 20 year lease term has been used.

Country	Currency	Lease Term	IBR
New Zealand	NZD	20 years	3.66%
South Korea	KRW	5 years	0.98%
Singapore	SGD	3 years	1.60%

The Group is exposed to potential future increases in lease payments based on market rates, which are not included in the lease liability until they take effect. When adjustments to the lease payments take effect, the lease liability will be reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs; and
- any initial direct costs.

Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Payments associated with short term leases of equipment and all leases of low-value assets are recognised on a straight line basis as an expense in the profit or loss. Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise office printers and water coolers.

As at 31 March 2021, the balance sheet shows the following amounts relating to leases:

	Mar 2021 ($000)	Mar 2020 ($000)
Right of use assets		
Buildings	14,051	631
	14,051	**631**
Lease liabilities		
Current	531	369
Non current	13,642	292
	14,173	**661**

Additions to the right of use assets during the year ended 31 March 2021 are $14.1m (2020: $172k).

11. LEASES CONTINUED

ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 ($000)	2020 ($000)
Depreciation charge of right of use assets	589	418
Interest expense	177	19
Expense relating to short term leases	48	44

12. TRADE AND OTHER PAYABLES

	2021 ($000)	2020 ($000)
Trade and other payables	2,452	2,077
Employee entitlement	714	442
Contract liabilities	1,099	1,841
	4,265	**4,360**

	Contract liabilities ($000)
Opening balance	1,841
Revenue recognised during the period	(1,420)
Additional liabilities incurred	678
Closing balance	**1,099**

Due to the short term nature of the payables above, the carrying value is determined to be representative of the fair value of the liabilities.

13. PROVISIONS

	General provisions ($000)	Warranty provision ($000)	Total ($000)
Balance at beginning of year	239	315	554
Amounts used during the period	(141)	(105)	(246)
Current year provision recognised	164	235	399
Effects of movements in exchange rates	(10)	(4)	(14)
Balance at end of year	**252**	**441**	**693**

General provisions

General provisions are made for present obligations with expected future outflows. This category includes provisions for short term incentives and a credit for purchase of parts from a vendor.

Warranty provision

A provision is made for estimated future warranty costs in respect of instruments sold which are still within their warranty period. Significant estimates and judgements were used when determining these future costs which are based on historical claims, adjusted for outliers and one-off occurrences. The assumptions used are consistent with prior year.

14. RELATED PARTY DISCLOSURES

Ultimate parent

The ultimate parent company is Syft Technologies Limited.

Subsidiaries

The consolidated financial statements include the financial statements of Syft Technologies Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2021	% Equity Interest 2020	Advances to/(from) 2021 ($000)	Advances to/(from) 2020 ($000)
Syft Technologies Inc (STI)	USA	100%	100%	1,096	68
Syft Technologies GmbH (STG)	Germany	100%	100%	474	254
Syft Technologies Korea Ltd (STK)	South Korea	100%	100%	(2,002)	76
Syft Technologies Singapore Pte. Ltd (STS)	Singapore	100%	100%	240	208
Syft Technology (Shanghai) COI	China	100%	100%	-	-
Syft Technologies Taiwan Limited (STW)	Taiwan	100%	-	127	-
				(65)	**606**

Transactions with related parties

Trade amounts owing between related parties are payable under normal commercial terms. No related party debts have been written off or forgiven during the year.

Key management personnel

Key management personnel includes the Board of Directors and all employees that report directly to the CEO. Details relating to key management personnel, including remuneration paid, are included below:

	Note	2021 ($000)	2020 ($000)
Directors fees		246	197
Short term employee costs		2,480	1,866
Share based payment	3	(147)	92
Total compensation		**2,579**	**2,155**

15. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	FVTPL ($'000)	Amortised cost ($'000)	Total ($'000)
31 March 2021			
Assets per balance sheet			
Cash and cash equivalents	-	1,573	1,573
Trade and other receivables	-	2,398	2,398
Total	**-**	**3,971**	**3,971**

15. FINANCIAL INSTRUMENTS BY CATEGORY CONTINUED

	FVTPL ($'000)	Amortised cost ($'000)	Total ($'000)
Liabilities per balance sheet			
Trade and other payables	-	4,265	4,265
Lease liabilities	-	14,173	14,173
Total		**18,438**	**18,438**

	FVTPL ($'000)	Amortised cost ($'000)	Total ($'000)
31 March 2020			
Assets per balance sheet			
Cash and cash equivalents	-	4,464	4,464
Trade and other receivables	-	4,940	4,940
Total	**-**	**9,404**	**9,404**
Liabilities per balance sheet			
Trade and other payables	-	4,360	4,360
Lease liabilities	-	661	661
Derivative liabilities	202	-	202
Total	**202**	**5,021**	**5,223**

Financial risk management objectives and policies

The Group is exposed to a number of financial risks that arise as a result of its operational activities. These risks are managed in accordance with the Group's Financial Management Risk policy which aims to support the delivery of the Group's financial targets whilst protecting future financial security.

The primary responsibility for identification and control of financial risks rests with the Audit and Risk Management Committee under the authority of the Board of Directors. The Board reviews and agrees policies for managing each of these risks as summarised below.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to United States Dollars, Korean Won, Euro, Great Britain Pound, Singapore Dollars, Australian Dollars and New Taiwan Dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the Company.

The carrying amounts of the foreign currency denominated assets and liabilities at balance date, all expressed in New Zealand Dollars, are as follows;

Assets	2021 ($000)	2020 ($000)
Australian Dollars	102	177
Euro	350	1,754
Great Britain Pound	28	60
Korean Won	1,578	2,637
US Dollars	1,056	2,303
Singapore Dollars	224	3
New Taiwan Dollar	127	-

Liabilities	2021 ($000)	2020 ($000)
Australian Dollars	11	73
Canadian Dollars	2	15
Euro	430	278
Great Britain Pound	297	256
Korean Won	531	640
US Dollars	1,000	1,219
Singapore Dollars	113	50

The following table details the Group's profit and loss sensitivity to an increase or decrease in the NZD against the main currencies that the Group was exposed to at the end of each balance date. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end rate for an increase or decrease in the currency rates relative to the fluctuation observed throughout the period.

The Group has assessed the recent foreign currency trends and have adjusted the sensitivity rates used to reflect the current economic climate and volatility.

	2021		2020	
	($000) 10% increase	($000) 10% decrease	($000) 10% increase	($000) 15% decrease
Increase/(decrease) in profit or loss and equity				
NZD:AUD	(8)	10	(9)	18
NZD:EUR	7	(9)	(134)	260
NZD:GBP	24	(30)	18	(34)
NZD:KRW	(95)	116	(182)	352
NZD:USD	(5)	6	(99)	191
NZD:CAD	-	-	1	(3)
NZD:SGD	(10)	12	4	(8)
NZD:NTD	(12)	14	-	-

Derivatives

The Group no longer enters into forward foreign exchange contracts, and instead uses the spot rate at the time of the transaction.

During the period ending 31 March 2020, derivatives were only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes and are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period. The Group held the following derivative financial instruments:

Current Liabilities	2021 ($000)	2020 ($000)
Forward foreign exchange contracts	-	202

15. FINANCIAL INSTRUMENTS BY CATEGORY CONTINUED

Fair value measurements recognised in the balance sheet

Financial instruments that are measured subsequent to initial recognition at fair value use the following classification based on the degree to which the inputs to the fair value are observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's derivative liabilities are classified under level 2 fair value measurements.

Price risk

The Group purchases raw materials and manufactured parts as part of the production of finished goods. As a result of these transactions the Group is exposed to fluctuations in commodity prices.

The portion of the raw materials and manufactured parts that are affected by commodity prices is small, as a result the Group's exposure to commodity price risk is minimal.

Credit risk

Credit risk arises from cash and cash equivalents and trade and other receivables, including outstanding receivables. Exposure comes from the potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments and the value at balance date is addressed in each applicable note.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

The Group applies NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Credit risk is managed on a Group basis. The Group has a trade credit insurance policy with QBE to offset majority of the credit exposure and only trades with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The measurement of expected credit losses is a function of the probability of default, loss given default and the estimated exposure at default. When assessing the Group's exposure to credit risk the following considerations have been taken into account:

- Credit checks and third party debtor insurance coverage on a customer by customer basis
- Historical customer payment trends
- Operating cashflow and earnings forecast for current customers
- Forecast market trends and industry information currently available

After taking the above characteristics into consideration, a loss allowance of $30k has been provided for (2020: $69k).

While cash and cash equivalents are also subject to the impairment requirements of NZ IFRS 9, the identified impairment loss is immaterial.

Cash and cash equivalents are held with reputable institutions:

Institution	Country	Moody's Rating
Bank of New Zealand	NZ	A1
DBS Bank (Singapore)	Singapore	Aa1
DBS Bank (Taiwan)	Taiwan	A2
Deutsche Bank	Germany	A3
KEB Hana	South Korea	A1
Shinhan Bank	South Korea	Aa3
Silicon Valley Bank	USA	Aa3

Interest rate risk

The Group is exposed to interest rate risk as it deposits funds at both fixed and variable interest rates. The risk is managed by the Group through maintaining an appropriate mix between fixed and variable rates.

At balance date the Group's interest-bearing financial instruments were:

	2021 ($000)	2020 ($000)
Financial assets	12	343
Financial liabilities	-	-

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for floating rate assets and liabilities; the analysis is prepared assuming the exposure outstanding at 31 March 2021 was outstanding for the whole year.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company and Group's profit for the year ended 31 March 2021 would increase/decrease by nil (2020: increase/decrease by $2k). This is attributable to the Group's exposure to interest rates on its cash deposits

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial commitments as they fall due. The Group actively manages liquidity risk through monitoring rolling forecasts of the Group's liquidity reserves, comprising of an undrawn $4m working capital facility and actual cash flows.

The Group has access to the following undrawn borrowing facilities at the end of the year:

	2021 ($000)	2020 ($000)
BNZ overdraft facility	4,000	4,000

The overdraft facility has a prevailing interest rate of 4.26% and may be drawn at any time. The bank has the ability to demand repayment at any time.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

a. all non-derivative financial liabilities; and

b. net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities

31 March 2021	0-30 days ($000)	31-60 days ($000)	61-90 days ($000)	91 days + ($000)	Total contractual cash flows ($000)	Carrying amount ($000)
Non-derivatives						
Trade and other payables	4,071	-	194	-	4,265	4,265
Total non-derivatives	**4,071**	**-**	**194**	**-**	**4,265**	**4,265**

Contractual maturities of financial liabilities continued

	0-30 days ($000)	31-60 days ($000)	61-90 days ($000)	91 days + ($000)	Total contractual cash flows ($000)	Carrying amount ($000)
31 March 2020						
Non-derivatives						
Trade and other payables	4,172	70	117	1	4,360	4,360
Total non-derivatives	**4,172**	**70**	**117**	**1**	**4,360**	**4,360**
Derivatives						
Derivative liabilities	202	-	-	-	202	202
Total derivatives	**202**				**202**	**202**

16. SHARE CAPITAL

	2021 ($000)	2020 ($000)
Fully paid ordinary shares	37,176	37,136
	37,176	**37,136**

At balance date, all ordinary shares carry equal rights in respect of voting, dividend payments and distribution on winding up of the Company. All subsidiaries outlined in note 14 are 100% owned by Syft Technologies Limited.

Ordinary Shares

	2021 ($000)	2020 ($000)
Movement in ordinary shares		
Balance at beginning of year	37,136	37,091
Issue of shares	40	45
Balance at end of year	**37,176**	**37,136**

	2021	2020
Number of ordinary shares on issue		
Balance at beginning of year	73,925,998	72,330,898
Cancelled allotment of restricted shares	(1,786,806)	(47,900)
Allotment of restricted shares – July 2022	-	1,643,000
Allotment of restricted shares – May 2023	170,000	-
Balance at end of year	**72,309,192**	**73,925,998**

During the period $37k of shares issued under the employment benefit scheme were repaid, and 1,786,806 shares relating to prior period employee benefits were forfeited as vesting requirements were not met.

Capital management

When managing capital, the Group's objective is to ensure the entity continues as a going concern, as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Group also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Group is not subject to any externally imposed capital requirements.

17. RESERVES

	2021 ($000)	2020 ($000)
Foreign currency translation reserve	293	346
Employee equity benefit reserve	708	857
	1,001	**1,203**

Foreign currency translation reserve

The foreign currency translation reserve is used to record differences arising from the translation of the financial statements of foreign subsidiaries.

	2021 ($000)	2020 ($000)
Movements in translation reserve		
Balance at beginning of year	346	480
Translation of foreign operations	(53)	(134)
Balance at end of year	**293**	**346**

Employee equity benefit reserve

Movement in employee benefit reserve		
Balance at beginning of year	857	785
Repaid shares	(3)	(10)
Recognition of share based payments	47	98
Forfeited restricted shares	(193)	(16)
Balance at end of year	**708**	**857**

The employee equity benefit reserve arises on the grant of share options to employees under the Employee Share Option Scheme and the shares issued under the Chief Executive Share Scheme. Amounts are transferred into issued capital when the options are exercised.

Forfeited restricted shares relate to those shares previously recognised as an expense, however have not met the performance criteria when the employee ceases employment. This results in the reversal of the share based expense during the period the shares were forfeited. During the period $193k of previously recognised shares under the Employee Share Scheme were forfeited.

18. EMPLOYEE SHARE EQUITY SCHEME

Employee Share Option Scheme (ESOS)

The original share scheme was approved by the Board in June 2014 giving key employees 0.30% ownership in the Company. The scheme was set up to align the key employees' incentives with that of the Company and shareholders and also serves as a reward and retention scheme.

The Company has provided the key employees with a non-recourse loan to assist the key employees to participate in the share scheme. The principal terms of the scheme are noted below:

- Loan is non-recourse, interest free and does not have a fixed repayment date; and
- If the key employees sell any of the shares, then the cash received must first be put towards repayment of the loan; and
- If the key employees sell shares at a current market price that is below the issue price, the relevant part of the loan relating to the difference between the issue price and the price achieved will effectively be forgiven; and
- The shares held by the key employees are restricted and cannot be sold unless the employee remains with Syft for a minimum of three years (with the parcels of shares having restrictions relating from FY2021 to FY2023).

Since 2014, the Board and shareholders have approved seven additional share schemes, rewarding key employee's with ownership of the Company and with the terms stated above. One in May 2015 (0.20% ownership), April 2016 (0.61% ownership), June 2016 (0.01% ownership), June 2017 (0.26% ownership), August 2018 (1.59% ownership), August 2019 (2.2% ownership), and June 2020 (0.24% ownership). The total number of shares issued and unpaid under the above schemes is 3,438,990.

Summary of restricted employee shares

Grant date	Restricted shares at start of the year	Granted during the year	Vested during the year	Forfeited during the year	Restricted shares at end of the year	Exercise price $
Jun-17	-			-	-	1.08
Aug-18	301,420		-	301,420	-	1.15
Aug-18	151,514		115,098	28,493	7,923	0.76
Aug-19	1,277,889		215,333	775,444	287,112	1.15
Jun-20	-	170,000	42,500	-	127,500	1.15
Total	**1,730,823**	**170,000**	**372,931**	**1,105,357**	**422,535**	

Summary of vested employee shares

Grant date	Vested shares at start of the year	Vested during the year	Forfeited during the year	Vested shares at end of the year	Exercise price $
May-15	145,000			145,000	0.60
Apr-16	371,250			371,250	0.50
Jun-16	3,400			3,400	0.60
Jun-17	62,499		-	62,499	1.08
Aug-18	421,987	-	421,987	-	1.15
Aug-18	222,279	115,098	-	337,377	0.76
Aug-19	365,111	215,333	221,556	358,888	1.15
Jun-20	-	42,500	-	42,500	1.15
Total	**1,591,526**	**372,931**	**643,543**	**1,320,914**	

The following table illustrates the number and fair value of the shares vested relating to the Employee Share Option Scheme during the year. The fair value has been recognised as an expense in the income statement during the year:

Grant date	Vested during the year	2021 Fair value per share $	Fair value ($000)	Vested during the year	2020 Fair value per share $	Fair value ($000)
Jun-17	-	0.32	-	20,833	0.32	7
Aug-18	-	0.11	-	241,135	0.11	27
Aug-18	115,098	0.20	23	141,531	0.20	28
Aug-19	215,333	0.10	21	365,111	0.10	36
Jun-20	42,500	0.06	3	-	-	-
Total	**372,931**		**47**	**768,610**		**98**

Pricing Model

There is significant estimates and judgements used in determining the fair value of the employee share scheme. The scheme is consistent with that of a call option and has been valued according to the Black-Scholes option pricing model. Inputs are consistent with current market data and independent professional advice. The assumptions are outlined as follows:

June 2020 granted shares:

- The share price as at 4 June 2020 was $1.15 for all participating employees.
- Total number of shares granted was 170,000.
- The level of volatility was 30% based on historical and estimated future volatility of Syft's share price.
- The risk-free discount rate of 0.27% is based on the 20 day average of the five year bond yield at 4 June 2020.

19. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit after tax attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year, excluding shares held in treasury stock under the Employee Share Scheme (note 18). Diluted earnings per share assumes conversion of all dilutive potential ordinary in determining the denominator.

	Mar 2021	Mar 2020
Profit attributable to the ordinary share holders of the Company ($000)	923	805
Weighted average number of shares		
Ordinary shares	71,092,892	71,037,892
Effect of dilutive ordinary shares (non-vested Employee Share Scheme)	2,024,700	2,888,100
Weighted average number of ordinary shares for diluted earnings per share	**73,117,592**	**73,925,992**
Earnings per share (cents)		
Basic earnings per share	1.30	1.13
Diluted earnings per share	1.26	1.09

20. RECONCILIATION OF PROFIT AFTER TAXATION WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2021 ($'000)	2020 ($'000)
Net profit		923	805
Adjustments for:			
Depreciation and amortisation	3	1,810	1,287
Loss on sale of non current assets		290	2
Unrealised foreign exchange (gain)/loss		202	(37)
Share based payment expense	17	(147)	98
Decrease in deferred tax asset		2	154
Increase/(decrease) in derivative liabilities		(202)	107
Short term benefit expense		164	147
Bad debt write off / (release of provision)		(40)	540
Credits provided to/(from) the Group		(2)	46
Adjusted profit		**3,000**	**3,149**
Changes in working capital items			
Decrease in trade and other receivables		2,350	4,957
Increase in inventories		(249)	(3,192)
Increase in GST		(195)	(266)
Increase in provisions		43	186
Increase/(decrease) in trade and other payables		(3)	2,114
		1,946	**3,799**
Net cash flow from operating activities		**4,946**	**6,948**

21. COMMITMENTS

Capital Commitments

Syft Technologies Limited have signed capital commitment contracts for an additional $1.3m of building fit out for the new premises in Christchurch (2020: nil).

22. CONTINGENCIES

The Group has no contingencies at balance date (2020: nil)

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23. SUBSEQUENT EVENTS

The Board has approved a four year Long Term Incentive scheme for the CEO, beginning 1 April 2021, that supports significant long term reward for increasing shareholder value through Restricted Share Units. The scheme consists of:

- an initial grant of 500,000 shares that have four year service requirement to vest, issued at $0.81 amounting to a fair value at grant date of $405,000, and;
- an annual amount based on 50% of base salary, vesting over three years and are granted at the beginning of each financial year, whereby the price is calculated using the VWAP for the preceding 90 days, and;
- additional special performance grants linked to market conditions, with the minimum share price required for grants to be issued being $3.50.

On 13 April 2021, the Company drew down on a $5m term loan with BNZ under the Business Finance Scheme.

24. COVID-19 UPDATE

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic. At the beginning of 2021 Syft's NZ office went into level 4 nationwide lockdown and normal production and travel were temporally impacted.

While our global offices in Germany, South Korea, US and Singapore, have seen periods of restricted travel imposed by Governments, they have been able to still continue to service and support customers locally. However, international travel restrictions have meant it has been difficult to get expertise from NZ in market or to service customers where we do not have local offices. As the vaccine for COVID-19 is beginning to be distributed globally, we are starting to see the impact of these restrictions ease.

Due to the slow down in cash receipts and production delays for a period of time, Syft Technologies Limited was eligible to receive the NZ government wage subsidy in relation to COVID-19. Of which, $732k was received during March and April 2020, which ensured staff remained fully paid during this period. Additionally, Syft Technologies Singapore Pte Ltd received SGD$38k from the Job Support Scheme.

We continue to work closely with and receive orders from reputable customers, and we have not seen a negative impact on our customers ability to pay their debts as they fall due. The outlook of Syft's recovery in response to the world wide pandemic remains positive.

25. GOING CONCERN

The financial statements have been prepared on a going concern basis. Management have prepared both a budget and associated cash flows, both of which outline the business' ability to meet its obligations as they fall due for a period of twelve months from the date the financial statements are signed

Given this, the Directors consider it appropriate that the financial statements continue to be prepared on a going concern basis.

Auditor’s Report

Independent auditor's report

To the Shareholders of Syft Technologies Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Syft Technologies Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cashflow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our firm carries out other services for the Group in the areas of AGM scrutineering and tax compliance and advisory services. The provision of these other services has not impaired our independence as auditor of the Group.

Key audit matters

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

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Description of the key audit matter	How our audit addressed the key audit matter
Timing of revenue recognition As disclosed in Note 1, revenue is recognised when the customer obtains control of the good or service. Control can transfer over time or at a point in time and judgement might be required to determine when the performance obligation has been met and revenue can be recognised. Some revenue contracts contain multiple distinct performance obligations such as the sale of an instrument, installation, training and site testing. The timing of the revenue recognition for each performance obligation is dependent on when the individual performance obligation is met. The timing of revenue recognition is considered a key audit matter as each individual instrument sale is material to the financial statements and judgement might be required to determine when the various performance obligations have been met. There is a risk that revenue is not recognised in the period in which the performance obligation has been met.	We obtained an understanding of the Group's relevant processes and controls over the timing of revenue recognition for the sale of instruments. We have evaluated the appropriateness of recognition of instrument sales during the year by: • reviewing a sample of new contracts with customers entered into during the year and considering the reasonableness of management's assessment and identification of distinct performance obligations within the contract; • testing all material contracts, that include an instrument sale, throughout the year and in the month subsequent to year-end to supporting shipping documentation to ascertain whether revenue was recognised when control transferred, • analysing credit notes issued after year-end for evidence of material post year-end reversal of revenues recognised during the year, • analysing the level of credits notes issued throughout the year to identify any unusual trends of reversal entries later in the year, and • testing a sample of journals that credit revenue with unusual debits to supporting documentation to gain comfort over the occurrence of the sales journal transaction. From the procedures performed we have no matters to report.
Classification of expenditure as either research or development costs The Group incurred $2.45 million of research expenditure from activities aimed at obtaining new knowledge and searching for new and innovative alternatives to current instrument technology. The Group also incurred $2.23 million of development costs which were capitalised as the expenditure met the defined capitalisation criteria under NZ IAS 38 Intangible Assets (as set out in Note 1). The criteria for capitalisation includes determination of the instrument's technical feasibility, likelihood of generating future economic benefits and an assessment of resources required for completion.	We obtained an understanding of the processes and controls over the classification of research and development expenses. We have evaluated the appropriateness of the classification of costs as either research or development expenditure by: • analysing sales to determine if any new major products have been launched during the year and challenging management on whether the associated research projects met the capitalisation criteria; • for a sample of projects: ○ understanding the current phase of the projects to determine whether the project is still in the research phase, or whether technical feasibility has been proven and the development phase has commenced; and

Description of the key audit matter	How our audit addressed the key audit matter
The treatment of these research and development costs was an area of audit focus because management exercises judgement in determining which projects or project phases are classified as either research or development. Treatment of costs as research or development can materially impact the financial statements. There is a risk that the costs incurred for research and development have not been classified and recognised in accordance with the specified criteria under NZ IFRS.	○ challenging management's assumptions around areas of judgement, such as the technical feasibility or the ability to generate future economic benefits, by referring to the outcomes of historic research projects; and • obtaining evidence on capitalised development costs and projects which support management's judgement around the ability to generate future economic benefit from these projects including future sales orders. From the procedures performed we have no matters to report.
Accounting for the new head-office and manufacturing facility Syft New Zealand moved into a new leased head-office and manufacturing facility in December 2020. The lease is required to be accounted for in accordance with NZ IFRS 16 - *Leases,* and resulted in the recognition of a right of use asset of $13.8m and lease liability of $13.8m. In addition, the move required significant capital expenditure of $3.4m to 31 March 2021 as part of the new lease fit-out and the write-off of $78k of the previously leasehold improvements. The accounting for the new facilities was an area of audit focus due to the significant size of the right of use assets, lease liabilities and leasehold capital expenditure and the significant judgements and estimates inherent in the lease calculations. As per note 11, these comprise of the: • incremental borrowing rates at the time of entering into the lease; and • lease term, including any rights of renewals expected to be exercised.	Our audit procedures in relation to the accounting for the new facilities included: • obtaining the lease contract and understanding the key terms and conditions; • testing the accuracy of information included in the calculation for the opening lease liability by comparing this to the terms in the underlying lease contract; • recalculating the right of use asset and lease liability for the new lease; • reviewing the assumptions used to determine the lease term including rights of renewal and assessing whether they were supported by past practice and current business plans; • engaging our auditor's valuation expert to assess the appropriateness of the incremental borrowing rate used to discount the lease liability; • testing a sample of additions to leasehold improvements to supporting documentation to ascertain whether it qualified for capitalisation; and • reviewing the fixed asset register to identify any remaining leasehold improvements from the previous facility for impairment/disposal. From the procedures performed we have no matters to report.

Our audit approach

Overview

Materiality	Overall group materiality: $285,000, which represents approximately 1% of total revenues. We chose total revenues as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.
Group scoping	Full scope audits were performed for two out of six entities in the Group based on their financial significance being Syft Technologies Limited and Syft Technologies Korea Limited. Specified audit procedures and analytical review procedures were performed on the remaining entities.
Key audit matters	As reported above, we have three key audit matters, being: • Timing of revenue recognition • Classification of expenditure as either research or development costs • Accounting for the new head-office and manufacturing facility.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We applied the Group materiality level to the full scope audits of Syft Technologies Limited and Syft Technologies Korea Limited. Specified audit procedures and analytical review procedures were performed on material balances in the remaining entities within the Group.

All audit procedures were performed by PricewaterhouseCoopers New Zealand.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's Shareholders, as a body. Our audit work has been undertaken so that we might state 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 opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Elizabeth Adriana (Adri) Smit.

For and on behalf of:

PricewaterhouseCoopers.

Chartered Accountants 24 May 2021	Christchurch

Corporate Governance

This Corporate Governance Statement provides an overview of Syft Technologies Limited's (Syft, the Company) governance framework. It is structured to follow the NZX Corporate Governance Code (NZX Code) and discloses the practices relating to the NZX Code's recommendations. Syft is not listed on NZX however the Board regards it as being in the Company's and investors' best interests that Syft should meet the NZX Code's standards.

The Board's view is that Syft complies with the majority of the NZX Code's principles and recommendations. There has been a number of processes and practices put in place over the past 12 months and the Board remain focused to continue the alignment of Syft's governance structures with the NZX code.

This Corporate Governance Statement was approved by the Board on 24 May 2021.

Principle 1 – Code of Ethical Behaviour

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

Share trading by Company Directors and Employees

Formal procedures regarding trading in Syft's securities by Directors, employees and advisors of the Company are in place. A securities trading application form is available on the Syft intranet. Approval is required to be obtained from the CFO or Chairman. A blackout window is imposed for all Directors and employees between the end of the half year and full year and the release to USX of the result for that period. This ensures that shares may not be traded at any time by any individual holding material information.

Principle 2 – Board Composition & Performance

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

The role of the Board

The Board has ultimate responsibility for the strategic direction of Syft and oversight of the Company's management for the benefit of shareholders. Specifically, the responsibilities of the Board broadly include:

- working with management to establish the strategic direction of Syft;
- monitoring management and financial performance;
- monitoring compliance and risk management;
- establishing and monitoring the health and safety policies of Syft;
- establishing and ensuring implementation of succession plans for senior management; and
- ensuring effective disclosure policies and procedures.

The Board monitors these matters by meeting regularly, having committees address certain matters and receiving reports and plans from management. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

In discharging their duties, Directors have direct access to and may rely upon Syft's management and external advisers. Directors have the right, with the approval of the Chairman or by resolution of the Board, to seek independent legal or financial advice at the expense of Syft for the proper performance of their duties.

The Board regularly reviews its performance to assess its effectiveness in carrying out its functions and responsibilities and to ensure that the Board's skill set is robust and appropriate for the business.

At balance date, the Board comprised of five Directors including a non executive Chairman. Board members have an appropriate range of proficiencies, experience and skills to ensure that the Board's responsibilities are met.

Directors meetings

The Board met eight times during the year including sessions to consider Syft's strategy and business plans.

Board Committees

The Board has two formal committees of Directors; the Audit and Risk Management Committee and the Remuneration Committee.

The Audit and Risk Management Committee is responsible for:

- overseeing the Company's risk management, treasury, insurance, accounting and audit activities;
- reviewing the adequacy and effectiveness of internal controls;
- meeting with and reviewing the performance of external auditors;
- reviewing the consolidated financial statements and making recommendations on financial and accounting policies.

The members of the Committee are Michael Bushell (Chair), Al Monro and Jeff McDowall. All Directors are independent.

The Remuneration Committee is responsible for setting the salary and performance reward structures for the Company, recognising that attracting and retaining key talent is at the core of the Company's success. The Committee works with the CEO to build the culture that is so critical to Syft's ability to produce and sell in a technically demanding market.

The members of the Committee are Jeff McDowall (Chair), Al Monro and Michael Bushell.

Director nomination and appointment

Nominations are handled by the Board as a whole.

Each year as part of the Board's annual review process the capability mix is assessed to evolve in line with the Company's strategy and business plans. The Board has recently undergone a refresh to ensure its future development and international growth plans are matched by Director experience.

Board of Directors

A profile of each of the Director including information on the year of appointment, skills, experience and background is included in this report.

Al Monro (Board Chairman), Michael Bushell, Desh Edirisuriya, Jeff McDowall and Kate McGrath are all independent directors.

The roles of Board Chair, Audit and Risk Management Committee Chair, Remuneration Committee Chair and CEO are not held by the same person.

A majority of the Board are Independent Directors based on the guidelines set out in the NZX Code. The Board determines annually on a case-by-case basis who, in its view, are Independent Directors.

Interests Register

The Board maintains an Interests Register. Any Director who is interested in a transaction with the Company must immediately disclose to the Board the nature, monetary value and extent of the interest. A Director who is interested in a transaction may attend and participate at a Board meeting at which the transaction is discussed but may not be counted in the quorum for that meeting or vote in respect of the transaction, unless it is one in respect of which Directors are expressly required by the Companies Act 1993 to sign a certificate.

Particulars of entries made in the Interests Register for the year ended 31 March 2021 are included in the Director Disclosures section.

Diversity

Syft recognises the value in diversity of thinking and skills, and seeks to ensure that both its Board and its workforce reflect diversity. Our recruitment philosophy is to only employ people who are smart, curious and motivated. As a result, our hiring reflects the whole market and has provided us with a very diverse group of staff.

he gender composition of Syft's Directors and senior management team was as follows:

	As at 31 March 2021		As at 31 March 2020	
Position	**Female**	**Male**	**Female**	**Male**
Director	1 (20%)	4 (80%)	1 (17%)	5 (83%)
Senior management team	3 (30%)	7 (70%)	2 (25%)	6 (75%)

Director Training

Directors are encouraged to undertake continuing professional development to maintain their skills and knowledge.

Principle 3 – Board Committees

The Board use's Committees where it will enhance its effectiveness in key areas, while still retaining Board responsibility. The Board has two standing committees – an Audit and Risk Committee and a Remuneration Committee. Committees do not have delegated authority to make decisions but make recommendations to the Board.

Attendance at Meetings

The full Board met eight times between 1 April 2020 and 31 March 2021.

	Full Board	
	Eligible to attend	**Attended**
Al Monro	8	7
Michael Bushell	8	7
Desh Edirisuriya	8	8
Doug Hastie*	3	3
Jeff McDowall	8	8
Kate McGrath	8	8

**Doug Hastie retired as Managing Director on 25 September 2020.*

Audit and Risk Management Committee

This Committee assists the Board with overseeing all matters relating to risk and financial management, accounting, audit and reporting. The Committee met on two occasions during the year.

Members of the Committee are appointed by the Board and must comprise solely non-executive Directors, a majority of which must be Independent Directors.

As at 31 March 2021 the Committee comprised of three Directors: Michael Bushell (Chair), Al Monro and Jeff McDowall. All members are independent directors with Jeff McDowall being a member of Chartered Accountants Australia and New Zealand.

The Chair of the Audit and Risk Committee is neither the Board Chair nor the Company's CEO. The Chair of the Audit and Risk Committee has had no association with PwC, the external auditor.

Meeting Attendance

The CEO and Chief Financial Officer (CFO) are regularly invited to attend Audit and Risk Committee meetings.

Remuneration Committee

The Committee has responsibility for considering matters related to remuneration and human resources. It undertakes an annual review of management's performance and remuneration levels. The Committee also develops the Company's remuneration policy and recommends to the Board the annual director fees. The Committee met on two occasions during the year.

As at 31 March 2021 the Committee comprised of Jeff McDowall (Chair), Al Monro and Michael Bushell.

Nomination Committee

Director nominations are handled by the Board as a whole.

Principle 4 – Reporting and Disclosure

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

Shareholder Communications and Market Disclosure

Syft's Board is committed to the principle that high standards of reporting and disclosure are essential for proper accountability between the Company and its investors, employees and stakeholders.

Market announcements and shareholder communications are approved by the Board before being released.

Financial and Non-Financial Reporting

The Company is committed to ensuring integrity and timeliness in its financial reporting and in providing information to the market and shareholders which reflects a considered view on the present and future prospects of the Company. The Board takes an active role in overseeing financial reporting. Half year and full-year financial statements are prepared in accordance with relevant reporting standards and are subject to Board review.

The Annual Report is an important channel for reporting on Syft's strategy, its financial and operational performance. Reporting of non-financial matters including environmental, social, and governance (ESG) factors has been included in this report and will continue to be focus for in to the 2022 financial year.

Principle 5 - Remuneration

The remuneration of Directors and senior management should be transparent, fair and reasonable.

Remuneration Report

Syft's approach to remuneration aims to attract, motivate and retain talented employees at all levels of the Company and seeks to align the interests of its shareholders and employees, whilst driving performance and growth in shareholder value and return.

Director Remuneration

Non-Executive Directors receive fees determined by the Board and approved by shareholders plus reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as Directors.

The Board reviews its fees periodically to ensure the Company's non-executive directors are fairly remunerated for their services, recognising the time commitment together with the level of skill and experience required to fulfil the role, and to enable the Company to attract and retain talented non-executive directors. The last review was undertaken in 20 August 2019 and an annual fee of $75k for the Chairman and $45k for all other Directors was approved by shareholders.

Non-executive directors have no entitlement to any performance-based remuneration or participation in any share-based incentive schemes. No retirement entitlements are payable.

The following people held office or ceased to hold office as a Director during the year and received the following remuneration including benefits and fees for work performed:

Director	Category	Directors Fees
Michael Bushell	Non-Executive	45,000
Desh Edirisuriya	Non-Executive	45,000
Jeff McDowall	Non-Executive	45,000
Kate McGrath	Non-Executive	45,000
Alan Monro	Chairman	43,750

Remuneration of the CEO and Employees

Doug Hastie retired as the Managing Director of the Company on 25 September 2020. For the financial year ended 31 March 2021, he received $333,750 (2020: $452,255) in fixed annual remuneration, with nil (2020: $91,300) short term incentives (STI) and nil (2019: $26,525) in long term incentives (LTI).

Alan Monro was acting CEO of the company between 26 September 2020 to 28 February 2021. During this time he received fixed remuneration of $174,806. He did not receive any variable compensation or Directors fees during this period.

Alex Fala joined the Company as CEO on 1 March 2021. For the financial year ending 31 March 2021, he received $33,333 in fixed remuneration. There were no variable components to compensation during this period awarded.

During the year the number of employees or former employees not being Directors of Syft Technologies Limited received remuneration including the value of other benefits in excess of $100,000 in the following bands:

Category	Count
100,001-110,000	8
110,001-120,000	4
120,001-130,000	1
130,001-140,000	3
150,001-160,000	1
170,001-180,000	3
180,001-190,000	1
200,001-210,000	2
300,001-310,000	1
410,001-420,000	1
420,001-430,000	1

Principle 6 – Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Risk Management Framework

The Company's risk management framework integrates risk management across the Company's operations, formalising risk management as a key feature of the Company's operating and governance practices.

The Board is responsible for ensuring that key business and financial risks are identified, and that appropriate controls and procedures are in place to effectively manage those risks. The Board has overall responsibility for ensuring that Syft's risk management framework is appropriate and that it appropriately identifies, considers and manages risks. The Company's senior management are required to regularly identify the major risks affecting the business, record them in a risk management register, develop strategies to mitigate these risks and advise the Board of any emerging risks.

The Board regularly reviews the Company's risk profile and risk management register. It receives reports on the operation of risk management policies and procedures. Significant risks are discussed at each Board meeting, or as required.

Health and Safety

The Company considers the health and safety of its employees, contractors, clients and authorised visitors to its premises to be of utmost importance. The key principle applied is that "everyone who works at or visits the premises can expect to leave uninjured". The Board oversees the implementation of a Health and Safety Management System that is subject to an annual audit by appropriately qualified independent auditors.

The Board closely monitors a series of key lag and lead indicators including hazard reporting, incidents/ near misses, safety briefings held, training sessions, contractor inductions and audits undertaken.

Principle 7 – Auditors

The Board ensures the quality and independence of the external audit process.

External Auditor

Oversight of the Company's external audit arrangements to safeguard the integrity of financial reporting is the responsibility of the Audit and Risk Management Committee. The areas of responsibility include:

- Appointment of the external auditor.
- Provision of other assurance services by the external auditor.
- Pre-approval process for the provision of the other assurance services
- External auditor lead and engagement partner rotation.
- Hiring of staff from the external auditor.
- Relationships between the external auditor and the Company.
- Reporting on fees and non-audit work.

The role of the external auditor is to audit the financial statements of the Group in accordance with applicable auditing standards in New Zealand and to report on its findings to the Board and shareholders of the Company.

Pricewaterhouse Coopers (PwC) Limited has been the Company's external auditor since February 2014. All services provided by the Company's external auditor are considered on a case by case basis by the Audit and Risk Management Committee to ensure there is no actual or perceived threat to independence in accordance with the policy. The external auditor has provided the Audit and Risk Management Committee with written confirmation that, in its view, it was able to operate independently during the year.

Fees paid to the external auditors are included in note 4 of the notes to the financial statements. A total of $141k was paid for assurance-related services. All non-assurance services provided must have the prior approval of the Audit and Risk Management Committee. There was $54k of non-assurance services performed by PwC during the year.

The effectiveness, performance and independence of the external auditors is reviewed by the Audit and Risk Management Committee. The auditor met with the Committee without management present two times during the year.

AGM attendance

The auditor has been invited to attend the Annual General Meeting and will be available to answer questions about the audit process and PwC's independence.

Internal Audit

The Company has internal processes and controls that are considered to be appropriate for the size and complexity of the organisation. The Audit and Risk Committee carefully considers the auditor's management report which lists its key findings and recommendations about significant matters arising from the audit.

Principle 8 – Shareholder Relations

The Board respect's the rights of shareholders and foster constructive relationship with shareholders that encourage them to engage with the issuer.

Shareholder communications

Syft seeks to ensure that investors understand the Company's activities by communicating effectively with them and giving them access to clear and balanced information. The key information channels used by the Company are periodic corporate announcements released first to USX and then to shareholders, the annual and half year results announcements, annual reports, the Company's website and the Annual Meeting of shareholders.

Website

Annual reports, corporate releases and a variety of corporate information is posted onto the Company's website. The Company's and management contact details are provided on the website.

Electronic Communications

Extensive use is made of electronic communications with each shareholder being emailed a link to the Company's annual report, quarterly newsletters and other documents. Computershare's contact details are provided on the website and in the annual report.

Major Decisions

Where voting on a matter is required the Board encourages investors to attend the meeting or to send in a proxy vote. Shareholders may raise matters for discussion at the Annual General Meeting either in person or by emailing the Company with a question to be asked.

Equity raising

The Board will take this recommendation into account if considering any future capital raisings.

Notice of Meeting

The Notice of Meeting will be available at least 20 working days prior to the meeting on the Investors section of the website.

Shareholder Information

DIRECTOR DISCLOSURES

Directors

The following persons were Directors of Syft during the year ended 31 March 2021:

- Michael Bushell
- Desh Edirisuriya
- Doug Hastie*
- Jeff McDowall
- Kate McGrath
- Al Monro

**Doug Hastie retired as Managing Director on 25 September 2020.*

Directors' Interests

In accordance with Section 140(2) of the Companies Act 1993 and Section 19(U) of the Securities Markets Act 1988, the Directors named below have made a general disclosure of interest, by a general notice disclosed to the Board and entered in the Company's interests register. General notices were given by these Directors which remain current at 31 March 2021.

Director	Entity	Relationship
Michael Bushell	SVO Consulting Limited	Director
	TMB Management Limited	Director
	SF Holdings (2014) Limited	Director
	PFNZ Limited	Director
	Southern Financial Services Limited	Director
	Ski Time Villas Limited	Director
	DOT 6 Limited	Director
	Pacific Invoice Finance PTY Limited	Director
	Pacific Invoice Finance Limited	Director
Desh Edirisuriya	Made Consulting Limited	Director
	Edirisuriya & Walsh Properties Trustee Limited	Director
Jeff McDowall	Air New Zealand Express Limited	Director
	Air New Zealand Aircraft Holdings Limited	Director
	Air New Zealand Associated Companies Limited	Director
	ANNZES Engines Christchurch Limited	Director
	Air New Zealand Travel Business Limited	Director
	Ansett Australia & New Zealand Engineering Services Limited	Director
	Air New Zealand Associated Companies (Australia) Limited	Director
	O'Brien Physiotherapy Limited	Director
Kate McGrath	Food Agility Cooperative Research Centre	Director
	Council of SPHERE	Director

Shareholder Information continued

Directors' Interests continued

Alan Monro	Tarras Cherry Corp Limited	Director
	Broadfield Advisory Limited	Director
	Estaronline Limited	Director
	Spider Tracks	Director

There were no notices from the Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

Directors' shareholdings

Directors' shareholdings as at balance date are shown below:

Name	Beneficial ownership at 31 March 2021
Michael Bushell	614,867
Desh Edirisuriya	-
Jeff McDowall	92,034
Kate McGrath	-
Alan Monro	-

Top 20 registered shareholders as at 31 March 2021

Name	Shareholding	%
Accident Compensation Corporation	11,670,738	16.14%
Douglas Maclean Hastie	9,268,581	12.82%
Whale Watch Kaikoura Limited	8,468,201	11.71%
Douglas Ziffel & Smoot (New York) Limited	4,000,000	5.53%
Stephen John Collins + William John Dwyer + Bill Parsons Trustee Limited	3,000,000	4.15%
Wing Kai Leung	2,168,783	3.00%
Iconic Investments Limited	2,108,706	2.92%
Opihi Investments Limited	2,062,447	2.85%
Maarten Arnold Janssen	1,904,880	2.63%
Forsyth Barr Custodians Limited	1,144,210	1.58%
Paul Bernard McCormack	1,075,150	1.49%
Leveraged Equities Finance Limited	1,022,450	1.41%
FNZ Custodians Limited	1,019,793	1.41%
Nigel Roy Goldthorpe	900,000	1.24%
Murray James McEwan + Ruth Marion McEwan + PF Trust Services Ltd	708,990	0.98%
Canterprise Limited	650,000	0.90%
Simon John Nichols	618,278	0.86%
Daniel Milligan	510,422	0.71%
Adrian William Vance + Kerry Anne Vance + Grant Robert Williamson	500,000	0.69%
Stephen Patrick Ward + Julie Patricia Ward + James Michael Ward	500,000	0.69%

Spread of shareholders as at 31 March 2021

Size of shareholding	Number of holders	%	Total number held	%
1 – 49,999	478	80.47	5,967,632	8.25
50,000 – 99,999	49	8.25	3,186,297	4.41
100,000 – 499,999	47	7.91	9,853,634	13.63
500,000 - 999,999	7	1.18	4,387,690	6.07
1,000,000 +	13	2.19	48,913,939	67.64
Total	**594**	**100.00**	**72,309,192**	**100.00**

Included above are 3,438,990 unpaid shares issued under the Employee Share Option Scheme.

Board of Directors

ALAN MONRO LLB
Chairman, Independent director

Appointed:
20 August 2019

Committees:
Audit and Risk Committee
Remuneration Committee

Al's extensive governance and business experience includes 18 years at IBM and taking optical touch screen company NextWindow from start-up in 2002 to acquisition by NASDAQ-listed Smart Technologies in 2011. He works with expansion-stage technology companies as an advisor and/or director helping them put strategies in place to grow globally. Al is Chair of Spidertracks and eStar. He is a past Director of Callaghan Innovation and a past Trustee of the New Zealand Hi-Tech Trust.

MICHAEL BUSHELL
Independent Director

Appointed:
17 June 2013

Committees:
Audit and Risk Committee
Remuneration Committee

Michael has worked in Corporate and Commercial banking and finance for 40 years, the last 14 as a partner in a private finance company. Michael was part of an independent advisory board to Syft set up in April 2011 and has been involved regularly with Syft and its board on an on-going basis.

DESH EDIRISURIYA BE
Independent director

Appointed:
8 May 2019

Desh has a high level of expertise in R&D, manufacturing operations, quality management systems and business improvement methodologies, a skill set very relevant to Syft's specialist manufacturing demands. He knows the company well having acted as a consultant in recent times. Desh currently serves as the General Manager Business Excellence for Fisher and Paykel Healthcare.

JEFF MCDOWALL **BCA, CA**
Independent director

Appointed: 1 March 2020

Committees:
Remuneration Committee
Audit and Risk Committee

Jeff has worked in a variety of businesses during his career, including six years as a management consultant with PricewaterhouseCoopers in New Zealand and overseas, and three years with Mobil Oil in New Zealand and the UK.

He joined Air New Zealand in 2000 and was appointed Chief Financial Officer in January 2018. He served as Acting Chief Executive Officer of Air New Zealand for four months from September 2019 to February 2020. Jeff resigned from Air New Zealand on 30 April 2021.

Jeff is a fellow of Chartered Accountants Australia and New Zealand and a certified member of the Institute of Finance Professionals NZ.

KATE MCGRATH **BSc (Hons) (Chemistry), PhD, PGDipCom (Finance)**
Independent director

Appointed:
1 January 2020

Professor McGrath is Deputy Vice-Chancellor and Vice-President (Research) at the University of Technology Sydney, providing the vision and leadership to build UTS's national and international profile in research training, external research engagement and innovation. She was previously Vice-Provost (Research) at Victoria University of Wellington and led the MacDiarmid Institute for Advanced Materials and Nanotechnology, a New Zealand Centre of Research Excellence.

Company Directory

DIRECTORS
Michael Bushell
Desh Edirisuriya
Jeff McDowall
Kate McGrath
Alan Monro (Chairman)

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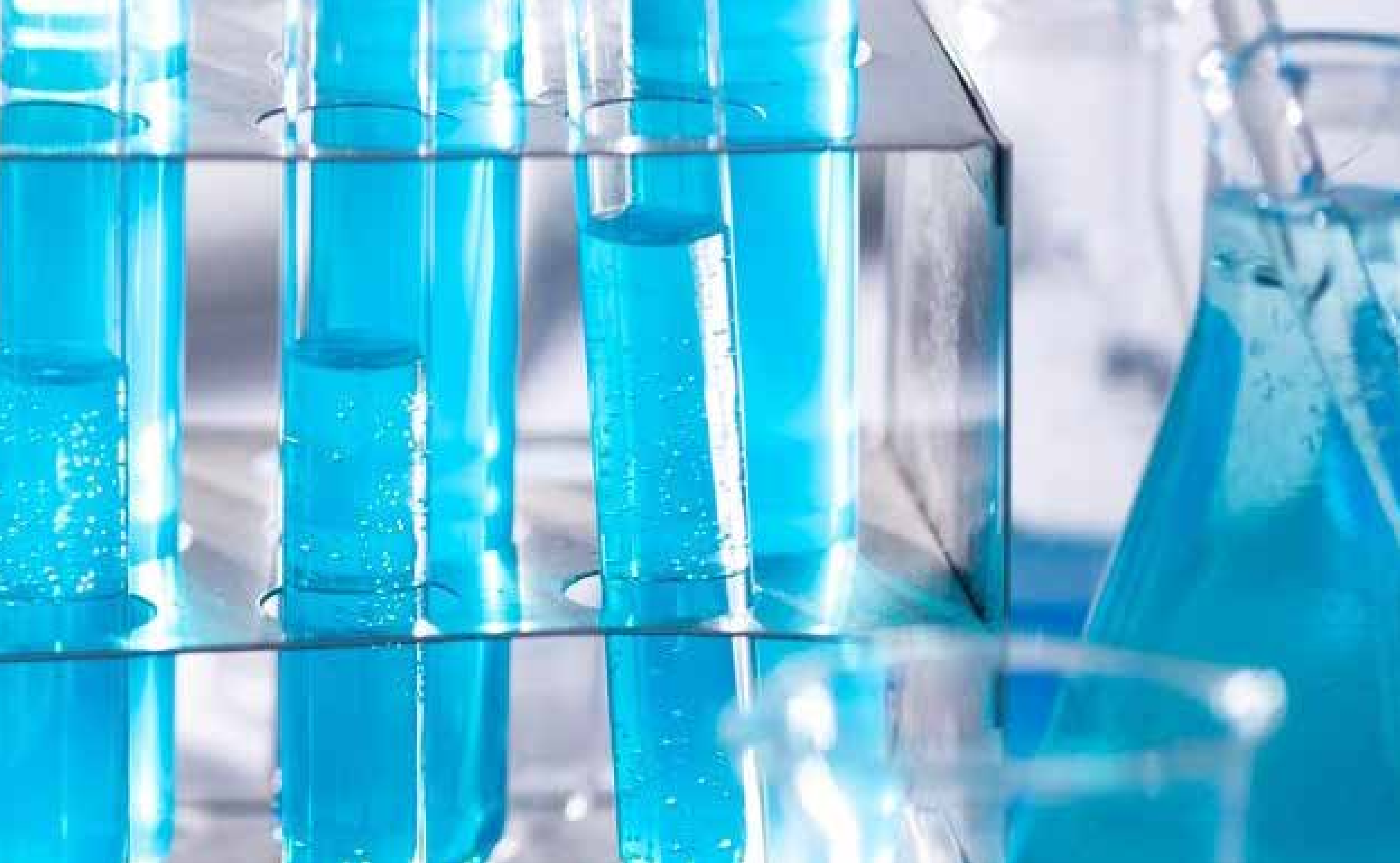
3 Craft Place
Christchurch, 8024
New Zealand

BANKERS
Bank of New Zealand
PO Box 1461
Christchurch



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