ANNUAL REPORT 2013

Syft Technologies Limited

Contents

Chairman's Report

Lifting the business performance of Syft was always going to take a combination of securing a CEO capable of driving sales and the capital necessary to fund the sales runway.

Immediately prior to this financial year Doug Hastie took charge and then worked with the Board to raise the capital necessary to fund a sales focussed business plan.

The success of that capital raising process to the tune of some $3.5m at the end of the 2013 financial year represented a vote of confidence in both the technology and the management team and brought new investors to the table.

In the wake of a capital re-fresh came a governance re-fresh with director expectations from the major new investors.

Post balance date two new directors took office, Michael Bushell who has had a long term association with Syft as an original investor and financial facilitator, and Richard Coleman who brings a sound set of business and financial skills to the table.

This changing of the guard saw the resignation of Stephen Collins and Michael Hawkins both of whom had carried the company through the difficult years of business transformation and who together with their investment commitment literally kept the company in business. I thank them for their constant willingness to front for the company as directors and funders in tough times.

Much is made of the necessity to diversify the base of the NZ economy and lift our game on the back of our evident ability to innovate, but as Syft knows business success can only be assured by excellent sales execution and the willingness of capital to back the story.

Syft has been given a fresh chance to deliver in a climate where the market demand for Syft's solutions grows.

Doug Hastie has both focussed and energised his team, and all production and business endeavour is dictated by the prospect of securing sales.

Occupational health and safety assurance and detection of threats to food quality are Syft's core capability and are increasingly at the forefront of workforce and consumer concerns.

While the Syft technology has always offered promise on multiple fronts, the prosecution of proven channels and sales matters most.

The reported result is as much as expected with revenue for two of the ten sales achieved in FY 2013 being required by accounting standards to be recognised in FY 2014.

A recent strategy session post the capital raising gives me the confidence to report that the company is in the best shape it has been since its inception.

Hon Ruth Richardson,
Chairman

Chief Executive Officers' Report

In FY2013 we have made major structural changes to the business to enable it to operate as a proper commercial entity going forward. Some of these changes were expensive; incurring paper or actual (cash) losses but now Syft is in a significantly better position to deliver financial success that has eluded it for so long. The benefits of these changes are starting to show in FY2014 where we have a strong sales pipeline and lower operating costs.

The issue of capital has been addressed over the last 12 months. Convertible Notes and Director Loans were converted in June and July respectively and then the placement/rights issue in August 2012 and April 2013 has provided us with sufficient capital to operate the business properly. This process has been expensive in professional service fees and management time but needed to be completed for Syft to continue.

The other major focus has been to engage with the market, both to get sales and also to make our development more relevant. This has required a lot of work and a major cultural change within the business. For the most part this has been successful due to the commitment of long-term staff members to make Syft work. Many times over the last 18 months I have been humbled by their dedication and I feel a huge amount of personal satisfaction in seeing their professional growth as they have been given more opportunity.

We have changed our sales strategy, moving away from a direct model in favour of a distributor model. This is both cheaper and more effective for a new growing businesses and that is why it is the favoured model of similar businesses. This has taken time and it is only now that the fruits of our labour 12-18 months ago are showing dividends with new sales. We now have 4 distributors who have bought instruments which is significant given that through FY2009 to FY2012, three quarters of all our new instrument sales were from one distributor. While 4 is a 300% increase on 1, it is still a small number and growing our distributor base, and sales, is now the primary focus of the business.

In the middle of last year we cancelled Gen III development and concentrated instead on improving our existing instrument. The results of this work are impressive. The instrument is now 35% cheaper to build, while at the same time we have made orders of magnitude improvements to the quality of the instrument, which has opened up new potential markets. Syft will develop new instruments in the future, but it was an important cultural change to focus the business on selling and improving what we have, rather than working on some nebulous product development programme for the sake of it.

Improving culture and installing discipline and a business focus has been the driver of change at Syft. We completed a restructure last year which removed the excessive redundancy provisions as well as reducing staff costs going forward. Now we are in the process of improving our accounting systems which were overly complicated. This has already produced large savings in time and costs but we may incur some costs in FY2014 as we rationalise our company structure and close down some of our subsidiary businesses.

While these changes in FY2013 were costly, their benefits are starting to show in FY2014. So far we have sold 4 instruments and at the time of writing we also have 3 more confirmed purchase orders and we are expecting a lot more in the near future. What is more exciting is that these are from new customers and for new applications. Note also that 2 of the instruments sold in FY2013 are being required by accounting standards to be recognised in FY2014. As well as increasing sales, our overheads are tracking a lot lower than FY2013.

As a result of the work we have done over the last 18 months we are now in position to deliver financial success in line with the quality of technology. It will take time, and require a lot of work, but everyone here at Syft is committed to bring long term financial success to shareholders.

Doug Hastie,
Chief Executive Officer

Board of Directors

The Hon. Ruth Richardson LL.B (Hons)
Non Executive Director

After her time as an architect of major reforms to the New Zealand economy as Minister of Finance from 1990-1993, Ruth established her own strategic and economic policy advice consultancy helping many countries undertake reform initiatives. She now has considerable involvement in the local and international business community being the Chairman of Jade Software Corporation, Kiwinet, the Kula Fund and Synlait Ltd, and a Director of the NZ Merino Company Limited and Synlait Milk Limited.

Michael Bushell (appointed 17 June 2013)
Non Executive Director

Michael and his family are foundation Shareholders of SYFT. Michael has worked in Corporate and Commercial banking and finance for 35 years, the last 10 as a partner in a private finance company specialising in working capital – Pacific Invoice Finance which supported SYFT financially over the last 30 months.

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. As part of that role Michael travelled to Europe, USA and Asia initially to meet with SYFT's key Staff, Distributors and Clients.

Richard Coleman (appointed 17 June 2013)
Non Executive Director

Richard is a partner at Koau Capital Partners Ltd who specialise in sourcing, structuring, funding and managing assets within the Māori commercial sector. Prior to Koau, Richard spent 15 years working within the Ngai Tahu commercial group in a variety of roles including Group Investment Manager of Ngai Tahu Holdings (the parent company to its property, seafood, tourism and private equity arms) and latterly Chief Executive of Ngai Tahu Seafood.

Stephen Collins (resigned 30 June 2013)
Non Executive Director

Stephen Collins has been in the real estate business since 1968 he is a Company Director and Private Investor. He is Chairman of Lane Neave Lawyers and Business New Zealand and a Director of Harcourts International Ltd, Westwood Ltd and the Canterbury Employers Chamber of Commerce. He is also a Trustee of the University of Canterbury Foundation, the Lochiem Trust and the Christchurch Heritage Trust. Stephen is a fellow of the Real Estate Institute of NZ and the New Zealand Institute of Management and a member of the NZ Institute of Directors.

Michael Hawkins B.Com.,BD (resigned 30 June 2013)
Non Executive Director

Michael Hawkins directed and managed a group of private companies engaged mainly in the packaging fields. Since the sale of the major part of the group he now operates primarily as an investor.

Corporate Governance

The Role of the Board
The Board has ultimate responsibility for the strategic direction of Syft and oversight of the management of Syft for the benefit of Shareholders. Specifically, the responsibilities of the Board 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.

In discharging their duties, Directors have direct access to and may rely upon Syft's senior 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 at balance date currently comprised three Directors including a non-executive Chairman. Board members have an appropriate range of proficiencies, experience and skills to ensure that all responsibilities are fulfilled and to achieve the best possible management of resources.

Directors Meetings
The Board met 14 times during the year including sessions to consider the strategic direction of Syft and Syft's forward-looking business plans. Video and/or phone conferences were used as required.

Board Committees
The Board has one formally constituted committee of Directors, the Audit and Risk Management Committee.

The Audit and Risk Management Committee is responsible for overseeing the risk management (including treasury and financing policies), treasury, insurance, accounting and audit activities of Syft, and reviewing the adequate 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 Audit and Risk Management Committee are Stephen Collins (resigned 30 June 2013) and Ruth Richardson.

Directors' Report

The Directors are responsible for ensuring that the financial statements give a true and fair view of the balance sheet of the Company and the Group as at 31 March 2013 and their income statement and cash flows for the year ended on that date.

The Directors consider that the 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 Reporting Act 1993.

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 note there has not been any material change in the nature of the business undertaken by the Company and the Group in the past year.

The Directors have pleasure in presenting the financial statements set out in pages 7 to 59, of Syft Technologies Limited and subsidiaries for the year 1 April 2012 to 31 March 2013.

The Board of Directors of Syft Technologies Limited and subsidiaries authorised these financial statements for issue on 7 October 2013.

Donations
No donations were made in the current year.

Auditor
It is proposed that the auditor, Ernst & Young, 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

R M Richardson
Chairman

Michael Bushell
Non Executive Director

Financials

Income Statement

For the year ended 31 March 2013

	Note	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
		($000)	($000)	($000)	($000)
Sale of Goods		2,116	1,802	1,991	1,751
Rendering of Services		1,208	1,120	919	912
Rental Revenue		-	11	-	-
Other Revenue	*4*	37	44	37	89
Total Revenue		**3,362**	**2,977**	**2,947**	**2,752**
Cost of Sales		2,019	1,497	1,936	1,331
Gross Profit		**1,343**	**1,480**	**1,011**	**1,421**
Grant Income		-	23	-	23
CEO Share Scheme	*6*	228	-	228	-
Sales and Marketing		856	492	699	216
Occupancy		238	247	193	240
Operational Expenses		797	668	672	622
Research and Development		145	743	144	743
Finance Costs	*6*	602	377	599	377
Other Expenses	*6*	156	229	2,111	219
Total Expenses		**3,022**	**2,756**	**4,646**	**2,417**
Profit/(Loss) before Income Tax		**(1,679)**	**(1,253)**	**(3,635)**	**(973)**
Income Tax Expense	*11*	-	-	-	-
Profit/(Loss) after Income Tax attributable to Equity holders of the parent		**(1,679)**	**(1,253)**	**(3,635)**	**(973)**

Statement of Comprehensive Income

For the year ended 31 March 2013

	Note	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2011
		($000)	($000)	($000)	($000)
Profit/(Loss) for the year		**(1,679)**	**(1,253)**	**(3,635)**	**(973)**
Other comprehensive income					
Translation of foreign operations					
Gains/(losses) arising during the year	*10*	80	122	-	-
Other comprehensive income, net of tax		**80**	**122**	**-**	-
Total comprehensive income for the year, net of tax attributable to Equity holders of the parent		**(1,599)**	**(1,131)**	**(3,635)**	**(973)**

These statements should be read in conjunction with the attached notes to the Financial Statements.

Statement of Changes in Equity

For the year ended 31 March 2013

Consolidated	Note	Share Capital	Employee Equity Benefit Reserve	Foreign Currency Translation Reserve	Shares Not Yet Issued Reserve	Retained Earnings	Total
		($000)	($000)	($000)	($000)	($000)	($000)
Balance at 1 April 2011		**23,008**	**173**	**386**	**-**	**(25,363)**	**(1,796)**
Profit/(loss) for the year		-	-	-	-	(1,253)	(1,253)
Other comprehensive income	*10*	-	-	122	-	-	122
Total comprehensive income for the year		-	-	122	-	(1,253)	(1,131)
Transactions with owners:	*8*	393	-	-	-	-	393
Balance at 31 March 2012		**23,401**	**173**	**508**	**-**	**(26,616)**	**(2,534)**
Profit/(loss) for the year		-	-	-	-	(1,679)	(1,679)
Other comprehensive income	*10*	-	-	80	-	-	80
Total comprehensive income for the year		-	-	80	-	(1,679)	(1,599)
Employee Equity Benefit Reserve Transfer	*10*	-	(173)	-	-	173	-
Transactions with owners:	*8*	2,888	-	-	-	-	2,888
Share Based Payments	*21*	-	228	-	-	-	228
Private Placement of Share Capital	*10*	-	-	-	700	-	700
Balance at 31 March 2013		**26,289**	**228**	**588**	**700**	**(28,122)**	**(317)**

Parent	Note	Share Capital	Employee Equity Benefit Reserve	Foreign Currency Translation Reserve	Shares Not Yet Issued Reserve	Retained Earnings	Total
		($000)	($000)	($000)	($000)	($000)	($000)
Balance at 1 April 2011		**23,008**	**173**	**-**	**-**	**(23,250)**	**(69)**
Profit/(loss) for the year		-	-	-	-	(973)	(973)
Total comprehensive income for the year		-	-	-	-	(973)	(973)
Transactions with owners:	*8*	393	-	-	-	-	393
Balance at 31 March 2012		**23,401**	**173**	**-**	**-**	**(24,223)**	**(649)**
Profit/(loss) for the year		-	-	-	-	(3,635)	(3,635)
Total comprehensive income for the year		-	-	-	-	(3,635)	(3,635)
Employee Equity Benefit Reserve Transfer	*10*	-	(173)	-	-	173	-
Transactions with owners:	*8*	2,888	-	-	-	-	2,888
Share Based Payments	*21*	-	228	-	-	-	228
Private Placement of Share Capital	*10*	-	-	-	700	-	700
Balance at 31 March 2013		**26,289**	**228**	**-**	**700**	**(27,685)**	**(468)**

These statements should be read in conjunction with the attached notes to the Financial Statements.

Balance Sheet

As at 31 March 2013

	Note	Consolidated		Parent	
		2013	**2012**	**2013**	**2012**
		($000)	($000)	($000)	($000)
Current Assets					
Cash and Cash Equivalents	*14*	270	-	-	-
Trade and Other Receivables	*18*	758	474	122	224
Inventory	*15*	924	860	924	857
Current Tax Assets	*11*	2	1	2	1
Intercompany Advances	*19*	-	-	200	1,157
Total Current Assets		**1,954**	**1,335**	**1,248**	**2,239**
Non Current Assets					
Property, Plant and Equipment	*12*	79	59	65	55
Intangible Assets	*13*	-	89	-	89
Total Non Current Assets		**79**	**148**	**65**	**144**
Total Assets		**2,033**	**1,483**	**1,313**	**2,383**
Current Liabilities					
Bank Overdraft	*14*	-	420	494	435
Trade and Other Payables	*16*	820	659	808	662
Borrowings	*17*	1,528	2,907	478	1,904
Grants Received in Advance	*7*	-	31	-	31
GST Payable		2	-	-	-
Total Current Liabilities		**2,350**	**4,017**	**1,780**	**3,032**
Total Liabilities		**2,350**	**4,017**	**1,780**	**3,032**
Total Net Assets/(Liabilities)		**(317)**	**(2,534)**	**(468)**	**(649)**
Equity					
Capital and Other Equity Instruments	*8*	26,289	23,401	26,289	23,401
Retained Earnings/(Deficits)	*9*	(28,122)	(26,616)	(27,685)	(24,223)
Reserves	*10*	1,516	681	928	173
Total Equity attributable to Equity holders of the parent		**(317)**	**(2,534)**	**(468)**	**(649)**

This statement should be read in conjunction with the attached notes to the Financial Statements.

On behalf of the board

R M Richardson
Chairman

Michael Bushell
Non Executive Director

Cash Flow Statement

For the year ended 31 March 2013

	Note	Consolidated 2013	Consolidated 2012	Parent 2013	Parent 2012
		($000)	($000)	($000)	($000)
Cash flows from Operating Activities					
Receipts from Customers		2,802	2,583	3,155	2,619
Interest Received		2	3	2	3
Tax Receipts/(Payments)		1	-	1	-
Payments to Suppliers and Employees		(3,745)	(4,345)	(3,440)	(3,793)
Interest Paid		(307)	(165)	(307)	(165)
Net Cash flows from/(used in) operating	*26*	**(1,247)**	**(1,924)**	**(589)**	**(1,336)**
Cash flows from Investing Activities					
Proceeds from Sale of Fixed Assets		5	9	5	5
Purchase of Fixed Assets		(41)	(11)	(26)	(10)
Purchase of Intangible Assets		(9)	(4)	(9)	(4)
Net Cash flows from/(used in) investing		**(45)**	**(6)**	**(30)**	**(9)**
Cash flows from Financing Activities					
(Payments of)/Proceeds from borrowings		224	989	178	(14)
Proceeds from issue of shares		1,758	-	1,758	-
(Advances to)/Proceeds from Subsidiaries		-	-	(1,376)	538
Net Cash flows from/(used in) financing		**1,982**	**989**	**560**	**524**
Net Increase/(decrease) in cash and cash equivalents		**690**	**(941)**	**(59)**	**(821)**
Cash and Cash Equivalents at beginning of year		(420)	521	(435)	386
Cash and Cash Equivalents/(Bank Overdraft) at End of year	14	**270**	**(420)**	**(494)**	**(435)**

This statement should be read in conjunction with the attached notes to the Financial Statements.

Statement of Accounting Policies

For the year ended 31 March 2013

Reporting Entity

Syft Technologies Limited (the Company) is an unlisted issuer for the purpose of the Financial Reporting Act 1993. The Company is registered under the Companies Act 1993. The Company is a reporting entity for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act. The Company is incorporated in New Zealand. The addresses of its registered office and principal place of business are disclosed in the directory to the annual report. The Group's principal activities include researching, developing and refining the selected-ion flow tubes technology, the marketing and sale of the applications and solutions using the selected ion-flow tubes technology.

1. Summary of significant accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practices in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements have been prepared on a historical cost basis.

The financial statements are presented in New Zealand dollars and all values rounded to the nearest thousand dollars ($'000) unless otherwise stated.

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 is reported.

b) Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practices in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-orientated entities.

Compliance with NZ IFRS ensures that the consolidated financial statements comply with International Financial Reporting Standards (IFRS). The parent entity financial statements also comply with IFRS.

The financial statements were authorised for issue by the directors on 7 October 2013.

c) Accounting judgements and major sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of judgements in applying the accounting policies, and major sources of estimation uncertainty.

d) New accounting standards and interpretations

Standards and Interpretations effective in the current period

At 31 March 2013 a number of standards and interpretations were in issue but not yet effective. Initial application of the following standards and interpretations is not expected to have any material impact to the financial statements:

1.1.1. Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following Standards and Interpretations, including those Standards or Interpretations issued by the IASB/IFRIC where an equivalent New Zealand Standard or Interpretation has not been approved, were in issue but not yet effective:

Name	Effective for annual reporting periods beginning on or after:
NZ IFRS 10 - Consolidated Financial Statements	1 January 2013
NZ IFRS 11 - Joint Arrangements	1 January 2013
NZ IFRS 12 - Disclosure of Interests in Other Entities	1 January 2013
NZ IFRS 10, 11 & 12 – Amendments to Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities.	1 January 2013
NZ IFRS 13 - Fair Value Measurement	1 January 2013
NZ IAS 19 - Employee Benefits	1 January 2013
NZ IAS 27 - Seperate Financial Statements	1 January 2014
NZ IAS 28 - Investments in Associates and Joint Ventures	1 January 2013
NZ IAS 32 – Amendments to Offsetting Financial Assets and Financial Liabilities.	1 January 2014
NZ IFRS 9 - Financial Instruments	1 January 2015

e) Basis of Consolidation

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

Subsidiaries are all those entities (including special purpose 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. A list of subsidiaries appears in note 19 to the financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

f) Borrowing costs

Borrowing costs are recognised as an expense when incurred. The Company does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

g) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

h) Contributed Equity

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

i) Employee Benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 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 12 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.

j) 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.

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.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

k) Foreign Currency Translation
Functional and presentation currency
Both the functional and presentation currency of Syft Technologies Limited and its New Zealand subsidiary is New Zealand dollars ($). The United Kingdom subsidiary's functional currency is Great Britain Pound and the United States subsidiary's functional currency is United States Dollars, both foreign subsidiaries are translated to the presentational currency (see below).

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at the date when the fair value was determined.

Translation of 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 the income statement.

l) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of goods and services tax, 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 gross 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.

m) Government Grants
Government grants are recognised when there is a 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. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income of the period in which it becomes receivable.

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

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 (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.

o) Income Tax
Current tax
The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred income tax is provided 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.

Deferred income tax liabilities are recognised for all taxable temporary differences except:
- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 sheet 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 income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.
Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the 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, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

p) Intangible assets
Patents, trademarks and licences
Patents, trademarks and licences are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful life of 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Research and development costs
Expenditure on research activities is recognised as an expense in the period in which it is incurred.
An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:
- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

Software costs
All externally purchased software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a Diminishing Value basis at a rate of 48%. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

q) Inventory
Inventories including raw materials, manufactured parts, work in progress, rental equipment and finished goods 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 – purchase cost on a weighted average basis. The cost of purchase comprises the purchase price of raw materials and manufactured parts. Volume discounts and rebates are included in determining the cost of purchase.

Finished goods and Work-in-progress – cost of direct materials and labour. Costs are assigned on the basis of weighted average cost, with the exception of Instruments for which costs are determined on Specific Identifiable Cost basis.

Demonstration Equipment – cost of Finished Goods less any NRV write-down taken into account for when the equipment is out on demonstration.

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.

r) Investments and other financial assets
Investments and financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and Derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the balance sheet.

(ii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

s) Investments In Subsidiaries

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

t) Leased Assets

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

u) 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 any accumulated impairment losses.

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

<u>Depreciation</u>
Depreciation is calculated on a Diminishing Value basis over the estimated useful life of the assets as follows:

Plant & Equipment	11.4 – 60.0%
Office Equipment	7.5 – 60.0%
Furniture & Fittings	11.4 – 21.6%
Leasehold Improvements	9.0 – 39.6%
Motor Vehicles	21.6%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

<u>Disposal</u>
An item of property, plant and equipment is derecognised upon disposal, or when no further future economic benefits are expected from its use or disposal.

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 profit or loss in the period the asset is derecognised.

v) 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.

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.

Provisions are measured at the present value of the Company's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value if money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

w) 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:

<u>Sale of goods</u>
Revenue recognised when the significant risks and rewards or ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

<u>Rendering of services</u>
Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance sheet date. Stage of completion is measured by reference to the period for which services have been performed for each contract.

<u>Rental Revenue</u>
Rental revenue is accounted for on a straight-line basis over the term of the agreement.

<u>Interest Revenue</u>
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.

x) 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).

There is currently one plan the Chief Executive Share Scheme (CESS). The Employee Share Option Scheme (ESOS) lapsed during the year.

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.

y) Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, 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.

z) Trade and Other Payables

Trade payables 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.

aa) Trade and Other Receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amount. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

2. Financial Risk Management Objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank trade finance facilities, borrowings, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, price risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit and Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

Risk Exposures and Responses

Foreign currency risk
As a result of operations in the United Kingdom and the United States of America, the Group's balance sheet can be affected by movements in the GBP:NZD and USD:NZD exchange rates.

The Group also has transactional currency exposures. Such exposures arise from sales or purchases by an operating entity in currencies other than the functional currency. The currencies in which the Group primarily deals in are the United States Dollars, Great Britain Pound, Euros and Australian Dollars.

The Group does not currently enter into foreign currency forwards contracts.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at balance date are as follows (all balances in NZD):

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Assets				
Australian Dollars	40	33	40	33
Euro	640	244	38	5
Great Britain Pound	7	11	-	1
US Dollars	96	5	-	-
Liabilities				
Australian Dollars	11	1	11	1
Euro	-	-	-	-
Great Britain Pound	17	5	17	5
US Dollars	11	18	6	17
Canadian Dollars	31	1	31	1

The following table details the Group's Profit and Loss sensitivity to a 10% decrease and a 5% increase 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 a 10% decrease and 5% increase in the currency rates.

Increase/(Decrease) in Profit or Loss and equity	Consolidated 2013	2012	Parent 2013	2012
	($000)	($000)	($000)	($000)
NZD:AUD				
10% decrease	3	4	3	4
5% increase	(1)	(2)	(1)	(2)
NZD:EUR				
10% decrease	71	27	4	1
5% increase	(30)	(12)	(2)	-
NZD:GBP				
10% decrease	(1)	1	(2)	-
5% increase	-	-	1	-
NZD:USD				
10% decrease	9	(1)	(1)	(2)
5% increase	(4)	1	-	1
NZD:CAD				
10% decrease	(3)	-	(3)	-
5% increase	1	-	1	-

Price risk

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

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 the financial assets of the Group, which comprise Cash and Cash Equivalents and Trade and Other Receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only 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.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At balance date two customers made up 97% of the total Trade Receivables.

Interest Rate risk

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings. The floating borrowings being trade finance facilities only, which have a 30-45 day life span.

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

At balance date the interest rate profile of the Group's interest bearing financial instruments was:

	Consolidated 2013	2012	Parent 2013	2012
	($000)	($000)	($000)	($000)
Financial Assets	270	-	-	-
Financial Liabilities	1,528	3,327	972	2,339

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for floating rate liabilities and assets, the analysis is prepared assuming the exposure outstanding at 31 March 2013 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 Group's:

- Profit for the year ended 31 March 2013 would decrease/increase by $16,500 (2012: decrease/increase by $10,000). This is mainly attributable to the Group's exposure to interest rates on its cash deposits and trade finance facilities.

Liquidity risk
The Group manages liquidity risk by the use of current bank facilities and the extension of trade payables terms with the approval of their suppliers in addition to continuously monitoring forecast and actual cash flows.

To manage liquidity at present the Directors have facilitated the following:-
1) temporary funding arrangements have been made with several parties, as disclosed as borrowings,
2) the Company has also arranged for trade finance facilities whereby on shipment of an instrument the Company is able to finance 90% of the invoice value.

The Company has the financial liabilities as noted above only and their maturity analysis is highlighted at note 17 of the financial statements.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is 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).

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
	($000)	($000)	($000)	($000)
Financial assets at FVTPL				
Cash deposits	270	-	-	-
	270	-	-	-

Parent	**Level 1**	**Level 2**	**Level 3**	**Total**
	($000)	($000)	($000)	($000)
Financial liabilities at FVTPL				
Bank Overdraft	494	-	-	494
	494	**-**	**-**	**494**

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires the Company to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The Company continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. The Company bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The Company has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Significant accounting judgements

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

The directors have considered the indicators of impairment of non-financial assets and are satisfied that such indicators have not impacted the carrying value of fixed assets or intangibles and that those carrying values remain appropriate.

Capitalised development costs
Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

Taxation
The Group's accounting policy for taxation requires judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on the Company's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

Significant accounting estimates and assumptions

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the binomial model, with the assumptions detailed in note 21. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the binomial model taking into account the terms and conditions upon which the instruments were granted. See note 21.

4. Other Revenue

	Consolidated		**Parent**	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Interest Revenue	2	3	2	3
SAL Overheads	-	-	-	45
Other Income	35	41	35	41
	37	**44**	**37**	**89**

5. Auditor's Remuneration

The auditor of Syft Technologies Limited is Ernst and Young.

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Amounts received or due and receivable by Ernst & Young for:				
Audit of Financial Statements	31	26	31	26
Other Assurance related services	-	-	-	-
	31	**26**	**31**	**26**

6. Expenses

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Other Expenses				
Loss/(Gain) on Disposal of Assets	-	52	-	52
Foreign Exchange Loss/(Gain)	89	177	84	167
Impairment of Intangible Assets	67	-	67	-
Impairment of Intercompany Advances	-	-	1,960	-
	156	**229**	**2,111**	**219**
Impairment Costs				
Inventory (included in Cost of Sales)	(1)	27	(1)	27
	(1)	**27**	**(1)**	**27**
Finance Costs				
Bank Loans and Overdrafts	55	38	55	38
Interest on Convertible Notes	32	225	32	225
Convertible Note Expense	129	-	129	-
Legal/Professional Fundraising	102	-	102	-
Other Interest Expense	43	20	43	20
Other Finance Costs	241	94	238	94
	602	**377**	**599**	**377**
Depreciation and Amortisation included in Income Statement				
Amortisation	31	50	31	49
Depreciation	18	28	16	28
	49	**78**	**47**	**77**
Lease Payments included in Income Statement				
Minimum Lease Payments – Operating Leases	82	115	82	111
	82	**115**	**82**	**111**
Employee Benefits Expense				
Salaries and Wages	1,467	1,413	1292	1,244
CEO Share Scheme	228	-	228	-
	1,695	**1,413**	**1520**	**1,244**

Restructuring Expenses
Restructuring expenses incurred during the year amounted to $217,291 (2012 $Nil). Expenses consisted of Impairment of intangibles $67,000 and staff redundancy costs of $150,291.

7. Government Grants

	Consolidated 2013 ($000)	Consolidated 2012 ($000)	Parent 2013 ($000)	Parent 2012 ($000)
Grants Received in Advance				
Grant relating to Medical Programme	-	31	-	31

The accounting policies adopted and the description of government grants received by the Group have been disclosed in the notes to the financial statements.

The Grant relating to the Medical Programme is released to income as the Company performs the research and development activities associated with the grant. In 2009 the Company was awarded a $2.7m grant that spans over 4 years out to 30 September 2012.

	Consolidated 2013 ($000)	Consolidated 2012 ($000)	Parent 2013 ($000)	Parent 2012 ($000)
Movement in Grants Received in Advance				
Balance at beginning of year	31	54	31	54
Received during the year	-	-	-	-
Released to income statement	(31)	(23)	(31)	(23)
Balance at end of year	**-**	**31**	**-**	**31**

8. Capital and Other Equity Instruments

	Consolidated 2013 ($000)	Consolidated 2012 ($000)	Parent 2013 ($000)	Parent 2012 ($000)
Fully Paid Ordinary Shares	26,289	23,401	26,289	23,401
	26,289	**23,401**	**26,289**	**23,401**

At balance date all the ordinary shares of Syft Technologies Limited have been fully paid. All shares have equal voting rights and share equally in dividends and surplus on winding up. Syft Analytics Limited, Syft Technologies (UK) Limited and Syft Technologies Inc are all 100% owned by Syft Technologies Limited.

<u>Ordinary Shares</u>

	Consolidated and Parent 2013		2012	
Movement in Ordinary Shares on issue	**Thousands**	**($000)**	**Thousands**	**($000)**
Balance at beginning of year	229,877	23,401	220,063	23,008
Issue of Shares	144,453	2,888	9,814	393
Balance at end of year	**374,330**	**26,289**	**229,877**	**23,401**

<u>Shares Issued in year</u>

	2013		2012	
Shares issued in lieu of Director Fees	**Thousands**	**($000)**	**Thousands**	**($000)**
Peter Bryant	-	-	1,594	64
Stephen Collins	-	-	1,845	74
Michael Hawkins	-	-	2,125	85
Howard Moore	-	-	1,594	64
Hon Ruth Richardson	-	-	2,656	106
Issued in year	**-**	**-**	**9,814**	**393**

8. Capital and Other Equity Instruments (Continued)

	2013		2012	
Shares issued from Convertible Notes	**Thousands**	**($000)**	**Thousands**	**($000)**
Convertible Notes	70,906	1,418	-	-
Issued in year	**70,906**	**1,418**	**-**	**-**

	2013		2012	
Directors Fees/Loans converted to Shares	**Thousands**	**($000)**	**Thousands**	**($000)**
Stephen Collins	8,828	177	-	-
Michael Hawkins	8,888	177	-	-
Hon Ruth Richardson	2,998	60	-	-
Issued in year	**20,714**	**414**	**-**	**-**

	2013		2012	
Shares issued from 2012 Rights Issue	**Thousands**	**($000)**	**Thousands**	**($000)**
Stephen Collins	8,142	163	-	-
Michael Hawkins	6,750	135	-	-
Ernest Killian	625	13		
Murray McEwan	5,500	110		
Hon Ruth Richardson	1,575	32	-	-
Public	28,152	561	-	-
Issued in year	**50,744**	**1,014**	-	-

	2013		2012	
Shares issued from Private Placement	**Thousands**	**($000)**	**Thousands**	**($000)**
Michael Hawkins	2,089	42	-	-
Issued in year	**2,089**	**42**	**-**	**-**
Total Shares Issued in Year	**144,453**	**2,888**	**9,814**	**393**

Capital Management
When managing capital, the Company'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 Company 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.

9. Retained Earnings

Movements in Retained Earnings/(Deficits) were as follows:

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Balance at beginning of year	(26,616)	(25,363)	(24,223)	(23,250)
Net Profit/(Loss)	(1,679)	(1,253)	(3,635)	(973)
Transfer from Employee Benefit Equity Reserve	173	-	173	-
Balance at end of year	**(28,122)**	**(26,616)**	**(27,685)**	**(24,223)**

10. Reserves

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Foreign Currency Translation Reserve	588	508	-	-
Employee Equity Benefit Reserve	228	173	228	173
Shares Not Yet Issued Reserve	700	-	700	-
	1,516	**681**	**928**	**173**

Foreign Currency Translation Reserve

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

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Movements in Translation Reserve				
Balance at beginning of year	508	386	-	-
Translation of Foreign Operations	80	122	-	-
Balance at end of year	**588**	**508**	**-**	**-**

Employee Equity Benefit Reserve

Employee Share options carry no rights to dividends and no voting rights. Further details of the Employee Share Option Scheme are contained in note 21 to the financial statements.

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Movement in Employee Benefit Reserve				
Balance at beginning of year	173	173	173	173
Recognition of Share Based Payments	228	-	228	-
Transfer on cessation of Scheme	(173)	-	(173)	-
Balance at end of year	**228**	**173**	**228**	**173**

The Employee Equity Benefit Reserve arises on the grant of share options to employees under the Employee Share Benefit Equity Schemes. Amounts are transferred into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 21 to the financial statements.

During the year the Employee Share Option Scheme lapsed and $173,000 was transferred to retained earnings.

Shares Not Yet Issued Reserve

During the year the company raised $700,000 which was converted into ordinary shares after balance date and is therefore treated as "Shares Not Yet Issued" under reserves for the 2013 financial year. On 2 April 2013 these funds were converted to shares.

	2013		2012	
Private Placement of Share Capital	Thousands	($000)	Thousands	($000)
Funds Received Prior to the Issue of Shares	-	700	-	-
Balance at end of year	**-**	**700**	**-**	**-**

11. Taxation

Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Accounting profit/(loss) before tax from continuing operations	(1,679)	(1,253)	(3,635)	(973)
At the Parent Entity's statutory income tax rate of 28%	(470)	(351)	(1,018)	(272)
Foreign tax rate adjustment	-	(17)	-	-
Entertainment	1	1	-	-
Legal and Consulting Fees	37	2	37	2
Current year temporary differences not recognised	(7)	3	(6)	4
Other	2	20	3	3
Tax losses not recognised	437	342	984	263
Aggregate income tax expense	-	-	-	-
Tax effect of losses available to carry forward	19,024	17,191	18,993	15,466
Future Tax Benefit of Tax Losses (not recognised)	5,310	4,857	5,318	4,331
Deferred Tax Asset not recognised	277	284	250	255

Reconciliation of Current Tax Asset

	Consolidated and Parent	
	2013	**2012**
	($000)	($000)
Opening tax (payable)/refundable	1	1
Tax paid/(refunds received)	(1)	(1)
RWT Tax Credits	2	1
Closing Balance	**2**	**1**

Imputation Credit Account

	Parent	
	2013	**2012**
	($000)	($000)
Opening Balance	1	1
Income Tax Payments	2	1
Income Tax Refunds	(1)	(1)
Closing Balance	**2**	**1**

12. Non-Current Assets – Property, Plant and Equipment

	Consolidated						
	Plant and Equipment	Office Equipment	Furniture and Fittings	Lease hold Improvements	Motor Vehicles	Demo Units	Total
Gross Carrying Amount	**($000)**	**($000)**	**($000)**	**($000)**	**($000)**	**($000)**	**($000)**
Balance at 1 April 2011	**324**	**204**	**31**	**26**	**7**	**-**	**592**
Additions	3	4	-	-	4	-	**11**
Disposals	(55)	(8)	(1)	-	(7)	-	**(71)**
Impairment	-	-	-	-	-	-	**-**
Net Foreign Exchange Differences	-	-	-	-	-	-	**-**
Balance at 1 April 2012	**272**	**200**	**30**	**26**	**4**	**-**	**532**
Additions	10	17	-	-	-	11	**38**
Disposals							
Impairment							
Net Foreign Exchange Differences							
Balance at 31 March 2013	**282**	**217**	**30**	**26**	**4**	**11**	**570**
Accumulated Depreciation							
Balance at 1 April 2011	**(221)**	**(194)**	**(21)**	**(15)**	**(5)**	**-**	**(456)**
Depreciation Charge	(21)	(3)	(1)	(2)	(1)	-	**(28)**
Disposals	-	6	-	-	5	-	**11**
Impairment	-	-	-	-	-	-	**-**
Net Foreign Exchange Differences	-	-	-	-	-	-	**-**
Balance at 1 April 2012	**(242)**	**(191)**	**(22)**	**(17)**	**(1)**	**-**	**(473)**
Depreciation Charge	(8)	(5)	(1)	(1)	(1)	(2)	**(18)**
Disposals							
Impairment							**-**
Net Foreign Exchange Differences							**-**
Balance at 31 March 2013	**(250)**	**(196)**	**(23)**	**(18)**	**(2)**	**(2)**	**(491)**
Net Book Value							
As At 31 March 2012	**30**	**9**	**8**	**9**	**3**	**-**	**59**
As At 31 March 2013	**32**	**21**	**7**	**8**	**2**	**9**	**79**

Parent

Gross Carrying Amount	Plant and Equipment ($000)	Office Equipment ($000)	Furniture and Fittings ($000)	Leasehold Improvements ($000)	Motor Vehicles ($000)	Demo Units ($000)	Total ($000)
Balance at 1 April 2011	**311**	**191**	**31**	**26**	**7**	**-**	**566**
Additions	3	3	-	-	4	-	**10**
Disposals	(50)	(1)	(1)	-	(7)	-	**(59)**
Impairment	-	-	-	-	-	-	**-**
Balance at 1 April 2012	**264**	**193**	**30**	**26**	**4**	**-**	**517**
Additions							
Disposals	10	17	-	-	-	-	**27**
Impairment							
Balance at 31 March 2013	**274**	**210**	**30**	**26**	**4**	**-**	**544**
Accumulated Depreciation							
Balance at 1 April 2011	**(214)**	**(184)**	**(21)**	**(15)**	**(5)**	**-**	**(439)**
Depreciation Charge	(21)	(3)	(1)	(2)	(1)	-	**(28)**
Disposals	-	-	-	-	5	-	**5**
Impairment	-	-	-	-	-	-	**-**
Balance at 1 April 2012	**(235)**	**(187)**	**(22)**	**(17)**	**(1)**	**-**	**(462)**
Depreciation Charge	(8)	(5)	(1)	(1)	(1)	-	**(16)**
Disposals							
Impairment							
Balance at 31 March 2013	**(243)**	**(193)**	**(23)**	**(18)**	**(2)**	**-**	**(479)**
Net Book Value							
As At 31 March 2012	**29**	**6**	**8**	**9**	**3**	**-**	**55**
As At 31 March 2013	**31**	**17**	**7**	**8**	**2**	**-**	**65**

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13. Non-Current Assets – Intangible Assets

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

	Consolidated			
	Software	**Patents**	**Trademarks**	**Total**
	($000)	**($000)**	**($000)**	**($000)**
Gross Carrying Amount				
Balance at 1 April 2011	**111**	**396**	**73**	**580**
Additions – external	-	4	-	4
Disposals	-	-	-	-
Balance at 1 April 2012	**111**	**400**	**73**	**584**
Additions – external	9	-	-	9
Disposals	-	-	-	-
Balance at 31 March 2013	**120**	**400**	**73**	**593**
Accumulated Amortisation				
Balance at 1 April 2011	**(102)**	**(309)**	**(34)**	**(445)**
Amortisation Expense	(5)	(38)	(7)	(50)
Disposals	-	-	-	-
Balance at 1 April 2012	**(107)**	**(347)**	**(41)**	**(495)**
Amortisation Expense	(4)	(20)	(7)	(31)
Disposals	-	-	-	-
Impairment	(9)	(33)	(25)	(67)
Balance at 31 March 2013	**(120)**	**(400)**	**(73)**	**(593)**
Net Book Value				
As At 31 March 2012	**4**	**53**	**32**	**89**
As At 31 March 2013	**-**	**-**	**-**	**-**

	Parent			
	Software	**Patents**	**Trademarks**	**Total**
	($000)	**($000)**	**($000)**	**($000)**
Gross Carrying Amount	**109**	**396**	**73**	**578**
Additions – external	-	4	-	4
Disposals	-	-	-	-
Balance at 1 April 2012	**109**	**400**	**73**	**582**
Additions – external	9	-	-	9
Disposals	-	-	-	-
Balance at 31 March 2013	**118**	**400**	**73**	**591**
Accumulated Amortisation				
Balance at 1 April 2011	**(101)**	**(309)**	**(34)**	**(444)**
Amortisation Expense	(4)	(38)	(7)	(49)
Disposals	-	-	-	-
Balance at 1 April 2012	**(105)**	**(347)**	**(41)**	**(493)**
Amortisation Expense	(4)	(20)	(7)	(31)
Disposals	-	-	-	-
Impairment	(9)	(33)	(25)	(67)
Balance at 31 March 2013	**(118)**	**(400)**	**(73)**	**(591)**
Net Book Value				
As At 31 March 2012	**4**	**53**	**32**	**89**
As At 31 March 2013	**-**	**-**	**-**	**-**

14. Current Assets – Cash and Cash Equivalents

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Cash on hand (Current Asset)	270	-	-	-
Bank Overdraft (Current Liability)	-	(420)	(494)	(435)
	270	**(420)**	**(494)**	**(435)**

At balance date the Group had net cash at bank and in hand of $270,000. The Company had a bank overdraft of $494,000. Overdraft security – A perfected security interest is held against the assets of the Company.

15. Current Assets - Inventories

Inventory at balance date comprised of the following:

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Raw Materials	393	588	393	585
Manufactured Parts	57	30	57	30
Work in Progress	113	-	113	-
Demonstration Equipment	168	259	168	259
Finished Goods	217	8	217	8
Inventory Provision	(24)	(25)	(24)	(25)
Total Inventories at the lower of cost and Net Realisable Value	**924**	**860**	**924**	**857**

16. Current Liabilities – Trade and Other Payables

Included in Accounts Payable at balance date are the following:

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Trade and Other Payables	690	578	678	581
Annual Leave	64	54	64	54
Directors Fees Payable	66	27	66	27
	820	**659**	**808**	**662**

<u>Fair value</u>
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

<u>Related party payables</u>
For terms and conditions relating to related party payables refer to note 19.

<u>Foreign exchange and price risk,</u>
Information regarding foreign exchange and price risk exposure is set out in note 2.

17. Current Liabilities – Borrowings

Included in Borrowings at balance date, and recorded in order of their maturity profile, are the following:

Consolidated	≤6 months	6-12 months	1-5 years	>5 years	Total
	($000)	($000)	($000)	($000)	($000)
Year end 31 March 2012					
Trade Finance Facilities	1,304	-	-	-	1,304
Directors' Advances (including accrued interest)	345	-	-	-	345
On Demand Borrowings (including accrued interest)	1,258	-	-	-	1,258
Total Consolidated Borrowings	**2,907**	**-**	**-**	**-**	**2,907**
Year ended 31 March 2013					
Trade Finance Facilities	1,528	-	-	-	1,528
Total Consolidated Borrowings	**1,528**	**-**	**-**	**-**	**1,528**

Parent	≤6 months	6-12 months	1-5 years	>5 years	Total
	($000)	($000)	($000)	($000)	($000)
Year end 31 March 2012					
Trade Finance Facilities	301	-	-	-	301
Directors' Advances (including accrued interest)	345	-	-	-	345
On Demand Borrowings (including accrued Interest)	1,258	-	-	-	1,258
Total Parent Borrowings	**1,904**	**-**	**-**	**-**	**1,904**
Year ended 31 March 2013					
Trade Finance Facilities	478	-	-	-	478
Total Parent Borrowings	**478**	**-**	**-**	**-**	**478**

Trade Finance Facilities
On shipment of an instrument the company is able to finance 90% of the invoice value by a bank sourced trade finance facility. The company ensures that credit insurance is in place for all export customers and the bank has approved finance by way of trade finance facilities.

On receipt of an order the Company is able to finance 80% of the invoice value through Pacific Invoice Financing, to purchase raw materials to manufacture instruments. The company ensures that credit insurance is in place for all customers and Pacific Invoice Financing has approved finance.

Directors' Advances
During the year all directors' advances were converted to ordinary shares.

On Demand Borrowings
During the year all convertible notes were converted to ordinary shares.

17. Current Liabilities – Borrowings (Continued)

Fair Value of Borrowings
The fair value of the trade finance facilities and on demand borrowings is approximately equal to their carrying amount.

18. Current Assets – Trade and Other Receivables

Included in Accounts Receivable at balance date are the following:

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Trade Receivables	714	274	80	29
Prepayments	15	119	15	119
GST Receivable	29	81	27	76
	758	**474**	**122**	**224**

During the year no amounts in relation to trade receivables were written down as uncollectable (2012: Nil).

Fair value and credit risk
Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange risk
Detail regarding foreign exchange risk exposure is disclosed in note 2.

Outstanding Balances
No amounts are outstanding between the Company and related parties at balance date.

19. Related Party Disclosure

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 2013**	**2012**	**Advances to (from) 2013**	**2012**
				($000)	($000)
Syft Analytics Limited	New Zealand	100%	100%	200	(843)
Syft Technologies Inc	United States	100%	100%	-	987
Syft Technologies (UK) Limited	United Kingdom	100%	100%	-	1,013
				200	**1,157**

These amounts are interest free and payable on demand.

The Company's investment in subsidiaries is minimal, and do not appear on the face of the balance sheet.

Ultimate Parent
The ultimate parent company is Syft Technologies Limited.

Impairment
The directors consider the advances from Syft Technologies Limited to Syft Technologies Inc ($1.06 Million) and Syft Technologies (UK) Limited ($899 Thousand) may not be fully recovered, and as a result an impairment provision has been recognised in the current year. This has no impact upon the Group Income Statement or Balance Sheet. The directors have also considered the carrying value to Syft Analytics Limited ($200 Thousand) remains appropriate in the parent company's financial statements. The loan will be repaid to the parent company as funds become available from machine sales.

Key Management Personnel
Key Management Personnel includes the Board of Directors, the CEO and all employees that report directly to the CEO. Details relating to key management personnel, including remuneration paid, are included in note 20.

19 Related Party Disclosure (Continued)

Transactions with Related Parties
Transactions with related parties are on an arms length basis. 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.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

		Sales to related parties ($000)	Purchases from related parties ($000)
CONSOLIDATED			
Related Parties			
MN Hawkins – Guarantee Fee and interest to secure overdraft with Bank of New Zealand	**2013**	-	7
	2012	-	24
SJ Collins – Guarantee Fee and interest to secure overdraft with Bank of New Zealand	**2013**	**-**	23
	2012	**-**	24
Hon Ruth Richardson – Guarantee Fee	**2013**	**-**	2
	2012	**-**	24

Michael Bushell, a shareholder, is a principal of Pacific Invoice Financing, who provided trade finance facilities to the Group, with $1,049,430 outstanding at 31 March 2013 (2012: 1,004,000).

PARENT			
Subsidiaries			
Recharge of Operating costs	**2013**	75	-
	2012	13	-
Purchase of Inventory	**2013**	380	-
	2012	99	-

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Advances from Directors	-	345	-	345
On Demand Borrowings from Shareholders	-	1,258	-	1,258
Amounts Payable to Directors	-	143	-	143

Refer to note 17 for the terms and conditions of these advances.

20. Key Management Personnel

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Directors' Fees	66	86	66	86
Wages and Salaries	520	440	520	328
Share Based Payment	228	-	228	-
Total Compensation	**814**	**526**	**814**	**414**

21. Employee Share Equity Schemes

Employee Share Option Scheme (ESOS)
The scheme is intended to create incentives for, and enable the Company to attract and/or retain certain employees by conferring on them a right to participate in the equity of the Company.

The options have an exercise period of 5 years from the issue date and can be exercised any time from the issue date. Options, once exercised, are not able to be transferred for the first 12 months following the issue date, and only 50% of the options can be transferred in the second 12 month period.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2013		**2012**	
	No.	**WAEP**	**No.**	**WAEP**
Balance at beginning of year	2,475,000	$0.101	2,565,000	$0.107
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Options expired on resignation of employees	(2,475,000)	-	(90,000)	-
Balance at end of year	**-**	**-**	**2,475,000**	**$0.101**
Outstanding at the end of year	-	-	2,475,000	$0.101
Exercisable at the end of year	-	-	2,475,000	$0.101

The Employee Share Option Scheme ceased during the year.

Chief Executive Share Scheme (CESS)
In 2012 the Company established a share scheme for the Chief Executive Officer (CEO) of the Company, Mr Doug Hastie. The scheme has been set up to align the CEO's incentives with that of the Company and Shareholders, and will serve as a reward and retention scheme for the CEO meeting performance milestones for the Company.

At the 2012 Annual General Meeting of the Company the Shareholders approved the issue of up to 15% of the ordinary shares in the Company to the CEO for a consideration of $0.02 per share. The shares are separated into four parcels.

At a Special General Meeting of the Shareholders on 15 March 2013 the Shareholders approved the issue of further new shares to the CEO as a requirement to maintain the CEO's holding at 15% of the shares following the placement and rights issue. The consideration was set at $0.005 per share. These shares are separated into three parcels.

The Company has provided the CEO with a limited recourse loan to assist the CEO to participate in the share scheme. The principal terms of the scheme are noted below.

Syft provided a loan to the CEO to acquire the shares.

- Loan is non-recourse, interest free and does not have a fixed repayment date.
- If the CEO sells any of the shares then the cash received must be first put towards repaying the loan.
- If the CEO sells 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.

The shares held by the CEO are restricted, and cannot be sold until the Board determines that the CEO has met certain KPIs and milestones for relevant financial year (with the parcels of shares having restrictions relating to FY 13 to FY 15)

If the Board determines that the KPI's and milestones are met, the restrictions on the relevant parcel are released. If the KPI's and milestones are not met, Syft repurchases that parcel of shares at the issue price and loan outstanding is reduced accordingly.

The CEO is entitled to receive any dividends from the date of issue, and is entitled to retain these dividends in the event that the shares are repurchased by Syft. Any dividends received must first be used to reduce the outstanding balance of the loan.

21.Employee Share Equity Schemes (Continued)

The following table illustrates the number (No.) and weighted average purchase prices of, and movements in, shares issued during the year and the expense recognised for the Chief Executive's Share Scheme:

	Consolidated		Parent	
31 March 2013	**No.**	**$**	**No.**	**$**
	(000)	($000)	(000)	($000)
Balance at beginning of year	-	-	-	-
Granted during the year (unpaid)	30,882	228	30,882	228
Balance at end of year	**30,882**	**228**	**30,882**	**228**

Pricing Model
The Scheme is consistent with that of a put option and has been valued according to the Binomial option pricing model, using the following assumptions:

20 November 2012 granted shares

- The Share price as at 20 November was $0.02.
- The level of volatility was 40% based on historical volatility and estimated future volatility of Syft share price.
- The risk free discount rate of 3.44% based on the NZ Government bond rate as the Grant Date.

6 June 2013 granted shares

- The Share price as at 6 June was $0.005.
- The level of volatility was 40% based on historical volatility and estimated future volatility of Syft share price.
- The risk free discount rate of 3.59% based on the NZ Government bond rate as the Grant Date.

The fair value of parcels One and Two has been assessed at grant date (being date that KPI's are agreed). Fair value of subsequent parcels will be assessed at such time as the KPI's for those parcels are agreed and will be expensed over the relevant period of service.

22. Commitments

Leasing Commitments

Operating lease commitments - Group as lessee
The Group has entered into commercial leases on certain office equipment and premises. These leases have an average life of between 1 and 3 years. There are no restrictions placed upon the lessee by entering into these leases.

The lease for 3 Craft Place has one remaining right of renewal; this is on 1 January 2017.

Future minimum rentals payable under non-cancellable operating leases as at 31 March are as follows:

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Within one year	105	105	105	105
After one year but not more than 5 years	393	418	393	418
After more than 5 years	-	87	-	87
Total Minimum lease payments	**498**	**610**	**498**	**610**

Property, plant and equipment commitments

The Company and Group have no contractual obligations to purchase Property, Plant and Equipment (2012: NIL).

23. Contingencies

The Company and Group have no contingencies at balance date. (2012: Nil)

24. Subsequent Events

The following events have occurred subsequent to balance date;

Private Placement
Funds were received prior to year end by way of a Private Placement. On 2 April 2013 these funds were converted to shares.

2013 Rights Issue
Funds were received by way of a pro-rata non-renounceable rights issue to fund the short to medium-term operations of the company. $2.8 million dollars was raised which was converted to shares on 15 May 2013.

25. Financial instruments by category

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

31 March 2013	Consolidated FVTPL ($000)	Consolidated Loans and receivables ($000)	Consolidated Total ($000)	Parent FVTPL ($000)	Parent Loans and receivables ($000)	Parent Total ($000)
Assets per balance sheet						
Trade and other receivables	-	758	758	-	122	122
Cash and cash equivalents	270	-	270	-	-	-
Intercompany Advances	-	-	-	-	200	200
Total	**270**	**758**	**1,028**	**-**	**322**	**322**

Liabilities per balance sheet	Consolidated FVTPL ($000)	Consolidated Other Financial liabilities ($000)	Consolidated Total ($000)	Parent FVTPL ($000)	Parent Other Financial liabilities ($000)	Parent Total ($000)
Bank Overdraft	-	-	-	494	-	494
Trade and other payables	-	820	820	-	808	808
Borrowings	-	1,528	1,528	-	478	478
Total	**-**	**2,348**	**2,348**	**494**	**1,286**	**1,780**

31 March 2012	Consolidated FVTPL ($000)	Consolidated Loans and receivables ($000)	Consolidated Total ($000)	Parent FVTPL ($000)	Parent Loans and receivables ($000)	Parent Total ($000)
Assets per balance sheet						
Trade and other receivables	-	474	474	-	224	224
Cash and cash equivalents	-	-	-	-	-	-
Intercompany Advances	-	-	-	-	1,157	1,157
Total	**-**	**474**	**474**	**-**	**1,381**	**1,381**

Liabilities per balance sheet	Consolidated FVTPL ($000)	Consolidated Other Financial liabilities ($000)	Consolidated Total ($000)	Parent FVTPL ($000)	Parent Other Financial liabilities ($000)	Parent Total ($000)
Bank Overdraft	420	-	420	435	-	435
Trade and other payables	-	659	659	-	662	662
Borrowings	-	2,907	2,907	-	1,904	1,904
Total	**420**	**3,566**	**3,986**	**435**	**2,566**	**3,001**

26. Reconciliation of Profit/(loss) after taxation with net cash flows from operating activities:

	Consolidated		Parent	
	2013	**2012**	**2013**	**2012**
	($000)	($000)	($000)	($000)
Net Profit/(Loss)	(1,679)	(1,253)	(3,635)	(973)
Adjustments for:				
Depreciation and Amortisation	49	78	47	77
Foreign Exchange (gain)/loss	80	122	-	-
Inventory Write Down	(1)	27	(1)	27
Impairment of Intangibles	67	1	67	1
Impairment of Intercompany Advances	-	-	1,960	-
Loss/(Gain) on Disposal of Fixed Assets	-	47	-	47
Share Based Payment Expense	228	-	228	-
Adjusted Profit/(Loss)	(1,256)	(978)	(1,334)	(821)
Changes In Working Capital Items				
(Increase)/decrease in Trade and Other Receivables	(283)	(314)	475	(119)
(Increase)/decrease in Inventory	(63)	(30)	(66)	(30)
(Decrease)/increase in Trade and Other Payables	323	(492)	305	(311)
(Decrease)/increase in Grants Received in Advance	31	(54)	31	(54)
(Decrease)/increase in Income Received in Advance	-	(56)	-	(1)
	8	**(946)**	**745**	**(515)**
Net Cash Flow from/(to) Operating Activities	**(1,247)**	**(1,924)**	**(589)**	**(1,336)**

27. Going Concern

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

On March 28th 2013 date Syft secured $700,000 in a private placement and $2,847,000 in rights issue in May. Given this, the Directors consider it appropriate that the financial statements continue to be prepared on a going concern basis.

Independent Auditor's Report

To the Shareholders of Syft Technologies Limited

Report on the Financial Statements

We have audited the financial statements of Syft Technologies Limited and its subsidiaries on pages 7 to 39, which comprise the balance sheet of Syft Technologies Limited and the group as at 31 March 2013, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation of the financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interest in Syft Technologies Limited or any of its subsidiaries.

Opinion
In our opinion, the financial statements on pages 7 to 39:

► comply with generally accepted accounting practice in New Zealand;

► comply with International Financial Reporting Standards; and

► give a true and fair view of the financial position of Syft Technologies Limited and the group as at 31 March 2013 and the financial performance and cash flows of the company and group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993, we report that:

► We have obtained all the information and explanations that we have required.

► In our opinion proper accounting records have been kept by Syft Technologies Limited as far as appears from our examination of those records.

Ernst + Young

7 October 2013
Christchurch

Shareholder Information

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 2013.

Stephen Collins (resigned 30 June 2013)
Director of:
Canterbury Employers Chamber of Commerce
Christchurch Heritage Limited
Christchurch Polytechnic Institute of Technology
Collins Real Estate Limited
Gloucester 194 Limited
Harcourts International Limited
Oxford 210 Limited
Westwood Limited
Trustee:
Christchurch Heritage Trust
Lochiem Trust
Rebekah Collins Trust

Patron:
University of Canterbury Foundation

Hon. Ruth Richardson
Chairman & Director of
Jade Software Corporation
Kiwinet Limited
Kula Fund II
Synlait Limited
Director of:
NZ Merino Company Limited
Ruth Richardson (NZ) Limited
Synlait Milk Limited

Richard Coleman (appointed 17 June 2013)
Director of:
Koau Capital Partners Limited
C5 Management Group Limited
C5 Investments Limited
Syft Analytics Limited

Michael Hawkins (resigned 30 June 2013)
Director of:
Aeon Investments Limited
Arcom Investments Limited
Denny Holding Limited
Park Terrace Developments Limited
South Pacific Waterbeds Limited
Syft Analytics Limited

Michael Bushell (appointed 17 June 2013)
Director of:
SVO Consulting Limited
TMB Management Limited
Islamic Properties Limited
Pacific Invoice Finance Limited
PFNZ Limited
Southern Finance Limited
Southern Financial Services Limited
Syft Analytics Limited
Ski Time Villas Limited
Dot 6 Limited

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' Remuneration

Non-executive directors receive fees determined by the Board on the recommendation of the Remuneration Committee plus reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as Directors.

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 during the year:

Director	Category	Accrued	Paid during the year	Fees Capitalised Into Shares	Total Remuneration
Stephen Collins	Non-Executive	18,000	-	-	18,000
Michael Hawkins	Executive	18,000	-	-	18,000
Hon Ruth Richardson	Chairman	30,000	-	-	30,000

During the year all Director Fees outstanding as at 30 June 2011 were capitalised into shares at 85% of the amounts owing per agreement with the Directors and Shareholdings. A total of $392,547 of Director Fees were capitalised into shares with $36,125 relating to the first quarter of the 2012 financial year.

Directors' Shareholdings

Directors' shareholdings are shown as at balance date.

Name	31 March 2013
Stephen Collins	
shares held with non-beneficial interest	63,443,806
Michael Hawkins	
shares held with non-beneficial interest	66,533,161
Hon. Ruth Richardson	
shares held with non-beneficial interest	7,562,184

Employees Remuneration

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

Remuneration	Group	Company
110,001-110,000	1	1
110,001-120,000	1	1
290,001-300,000	1	1

20 Largest Shareholders as at 31 March 2013

Name	Shareholding	%
DOUGLAS MACLEAN HASTIE	56,149,500	15.0%
HUBBARD CHURCHER TRUST MANAGEMENT LIMITED	36,314,932	9.7%
VERITAS INVESTMENTS LIMITED	31,561,600	8.4%
ACCIDENT COMPENSATION CORPORATION	31,240,833	8.3%
CANTERPRISE LIMITED	26,070,000	7.0%
MICHAEL NEIL HAWKINS	19,792,258	5.3%
MURRAY JAMES MCEWAN & RUTH MARION MCEWAN	13,141,767	3.5%
STEPHEN JOHN COLLINS & LYNNE SHARON COLLINS & JOHN DWYER	10,905,670	2.9%
STEPHEN JOHN COLLINS	9,336,720	2.5%
CURE KIDS VENTURES LIMITED	8,902,466	2.4%
NORMAN LABOE	8,589,041	2.3%
RUTH RICHARDSON NZ LIMITED	7,562,184	2.0%
RANDALL ALEXANDER ALLARDYCE & & JOAN NORMA ALLARDYCE	7,160,115	1.9%
MICHAEL NEIL HAWKINS & MAUREEN LOIS HAWKINS	6,676,919	1.8%
FNZ CUSTODIANS LIMITED	5,542,242	1.5%
ICONIC INVESTMENTS LIMITED	4,152,123	1.1%
OTAGO INNOVATION LIMITED	4,141,200	1.1%
TERRY ROGERS & LOIS ROGERS	4,139,800	1.1%
MILTON BAY HOLDINGS LIMITED	3,856,915	1.0%
BEVAN HUGH WALLACE	3,105,000	0.8%

Spread of Shareholders as at 31 March 2013

Size of Shareholding	Number of holders	%	Total Number held	%
1 – 9,999	45	7.4	238,968	0.1
10,000 – 49,999	185	30.3	4,500,675	1.0
50,000 – 99,999	92	15.1	6,227,473	1.4
100,000 – 499,999	192	31.4	43,385,813	10.1
500,000 - 999,999	45	7.4	28,925,705	6.7
1,000,000 – 4,999,999	37	6.1	68,254,622	15.9
5,000,000 +	15	2.5	278,946,247	64.8
Total	**611**	**100.0**	**430,479,503**	**100.0**

Directory

DIRECTORS

Hon. Ruth Richardson (Chairman)
Michael Bushell (appointed 17 June 2013)
Richard Coleman (appointed 17 June 2013)
Stephen Collins (resigned 30 June 2013)
Michael Hawkins (resigned 30 June 2013)

REGISTERED OFFICE

3 Craft Place
Christchurch
New Zealand

BANKERS

Bank of New Zealand
PO Box 1461
Christchurch

AUDITORS

Ernst & Young
PO Box 2091
Christchurch

SHARE REGISTRARS

Link Market Services
PO Box 384
Ashburton

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